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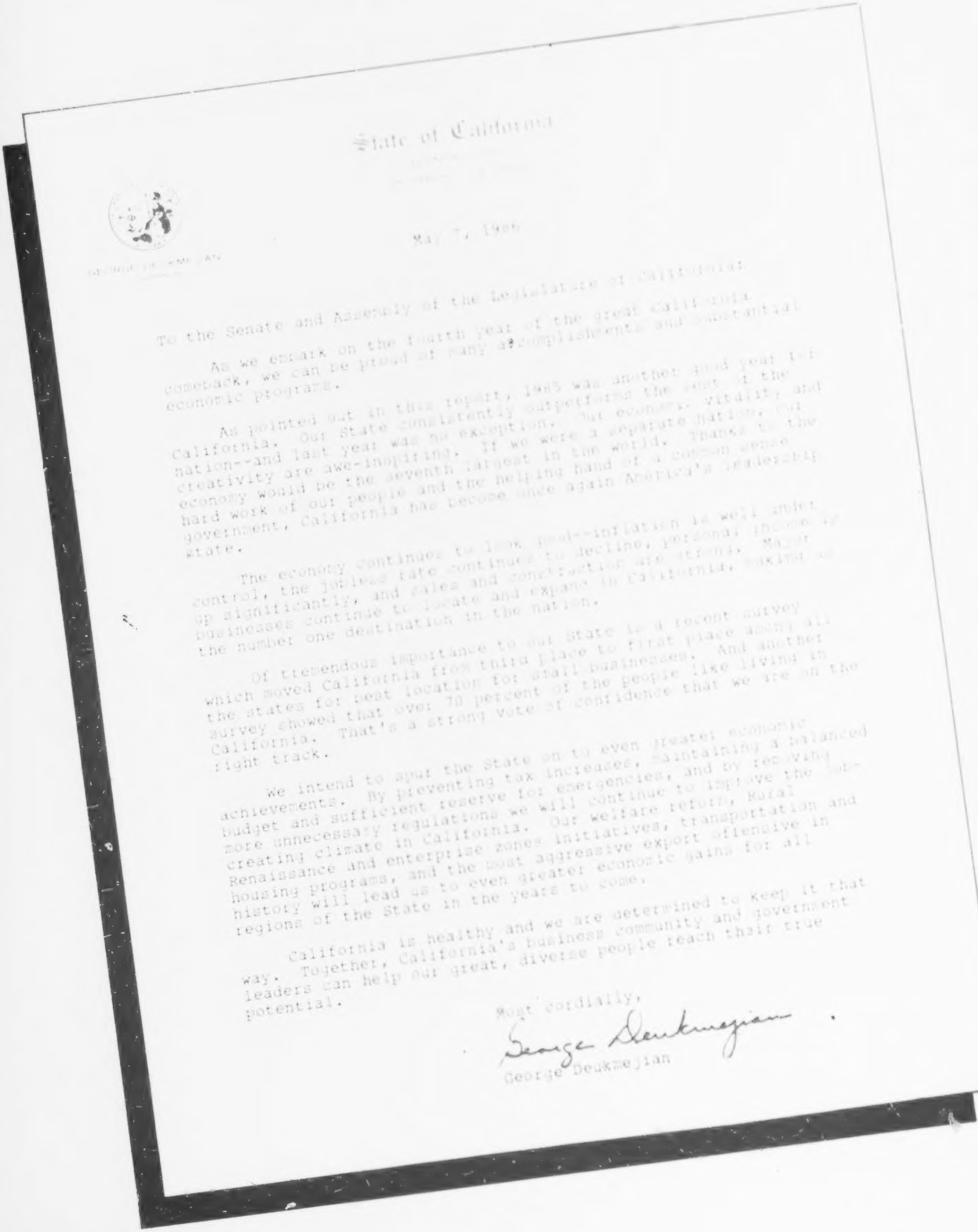
Economic Report of the Governor 1986

George Deukmejian
Governor
State of California



State of California

GEORGE DEUKMEJIAN

May 7, 1986

To the Senate and Assembly of the Legislature of California:

As we embark on the fourth year of the great California comeback, we can be proud of many accomplishments and substantial economic programs.

As pointed out in this report, 1985 was another good year for California. Our State consistently outperforms the rest of the nation--and last year was no exception. Our economic vitality and creativity are awe-inspiring. If we were a separate nation, our economy would be the seventh largest in the world. Thanks to the hard work of our people and the helping hand of a common sense government, California has become once again America's leadership state.

The economy continues to look good--inflation is well under control, the jobless rate continues to decline, personal income is up significantly, and sales and construction are strong. Major businesses continue to locate and expand in California, making us the number one destination in the nation.

Of tremendous importance to our State is a recent survey which moved California from third place to first place among all the states for best location for small businesses. And another survey showed that over 70 percent of the people like living in California. That's a strong vote of confidence that we are on the right track.

We intend to spur the State on to even greater economic achievements. By preventing tax increases, maintaining a balanced budget and sufficient reserve for emergencies, and by removing more unnecessary regulations we will continue to improve the job-creating climate in California. Our welfare reform, Rural Renaissance and enterprise zones initiatives, transportation and housing programs, and the most aggressive export offensive in history will lead us to even greater economic gains for all regions of the State in the years to come.

California is healthy and we are determined to keep it that way. Together, California's business community and government leaders can help our great, diverse people reach their true potential.

Most cordially,

George Deukmejian

George Deukmejian

Governor's Economic Highlights

Enterprise Zone Programs

In February of 1986 the Administration designated 13 cities and counties under the State Enterprise Zone programs. The Enterprise Zone programs represent the cornerstone of this Administration's economic development program.

The Enterprise Zone programs are designed to promote economic and business activity through public incentives to private businesses who agree to locate in the designated, economically distressed areas. These recent designations are expected to lead directly to the creation of more than 25,000 jobs in California through an innovative partnership between the State, local government, and the private sector.

California is the first state in the Western United States to have an operating Enterprise Zone program. In addition to State tax credits and deductions for expanding and new companies, businesses located in Enterprise Zones receive expedited processing of permits, waivers or reductions of local fees, and a variety of small business assistance programs—all as an incentive to create new jobs through business development.

Rebuilding California—A Partnership for Process: Year III

The Administration believes that continuation of the partnership, which joins the State, local government and the private sector, is vital to continue the progress toward repairing, rebuilding, and refurbishing the State of California. As the New Partnership program goes into its third year, there continues to be support for fiscal stability and independence for local governments. In 1985–86, 75 percent of the General Fund is targeted for local assistance and services, with counties being provided with a billion dollars more in revenue than accrued during the prior two years.

During the 1985–86 legislative session, new laws were signed to assist local governments in addressing their needs for capital projects. This included legislation to (1) allow joint power authorities to pool the issuance of bonds, (2) authorize the privatization of sewer and waste water treatment projects, and (3) establish community rehabilitation districts to renovate capital facilities. In addition, $125 million was appropriated from the General Fund for the repair and maintenance of local streets and roads.

Efforts to meet California's public facility needs will continue in 1986–87.

The ongoing program for rebuilding California over a six-year period will provide $31.5 billion and will include substantial expenditures for highways, the State water project, higher education, and correctional facilities. Additionally, in June 1986 the Administration is supporting a constitutional amendment before the voters to allow local governments to once again issue general obligation bonds. This amendment to the State Constitution will provide local government with an additional tool to finance capital costs.

Rural Renaissance

California's rural areas are an integral part of the State's economic well-being and the Administration recognizes that some regions of the State need special assistance to stay competitive for new jobs and businesses. In 1986–87 a Rural Renaissance program is proposed to assist basic industries such as agriculture, fishing and timber develop new business and job opportunities, and to improve the quality of life for the 2 million people who live in California's 33 rural counties. The Administration is sponsoring legislation to establish a $30 million Rural Economic Development Fund to allow rural areas to provide for capital improvements necessary to attract new business development. Financing will be in the form of loans and will be limited to a maximum of $2 million per project. Additionally, $7 million will be proposed for one-time grants to assist counties to promote business opportunities in their areas.

To further enhance the economic conditions of California's rural communities, recommended legislation will distribute rural job creation funds among 37 counties for economic development purposes; add $1.7 million to help local officials defray their costs in the Marijuana Eradication program; improve the quality of rural housing through expenditures totalling more than $30 million in State and Federal Funds in 1986–87; and revise the State tax law to provide "loss carry-over" to California's farmers.

Foreign Trade

California has launched an export offensive to sell more products overseas. Last year alone, California's foreign trade amounted to $94 billion.

The Governor's 1986–87 Budget proposes expenditures of over $7 million to improve the foreign trade market. For example, the Administration is proposing to establish overseas representation offices for California in Tokyo and London to promote California exports, establish new agricultural markets, and attract greater foreign investment and tourism in California; and $5 million will be directed to continue agricultural export development activities for the promotion of California's farm products in foreign markets. In addition, increased funds are proposed for programs that will strengthen California's links to Pacific Rim communities and further California's leadership and economic position within that newly emerging, dynamic part of the globe.

Jobs

Since January 1983, 1,451,000 new jobs have been created in California and our unemployment rate has dropped to its lowest point in 16 years. We've had three straight years of growth and this economic resurgence has created new job opportunities and the chance for a better life.

The percent change in the State's job creation continues to reflect an increase higher than the national average. In fact, one out of seven new jobs nationwide occur in California. Gradually, the State is approaching full employment.

Tourism

Tourism is a $31 billion industry in California and is essential to the health of the State's growing economy. The tourism industry is responsible for the employment of over half a million California residents and generates nearly a billion dollars in State revenues and approximately $564 million in local taxes.

In 1985 the Administration launched a $5 million tourism advertising and promotion campaign. It is proposed that this effort will be expanded by $2 million in 1986–87 with the goal of producing a 3 to 5 percent growth in tourist visits each year. This increase could generate as much as $1.3 billion in travel expenditures, create more than 26,000 new jobs and produce an additional $45 million in State tax revenue and $25 million in local tax revenue.

Greater Avenues for Independence Program

The Greater Avenues for Independence (GAIN) program was established by a successful bi-partisan effort in the Legislature and the Administration through Chapter 1025, Statutes of 1985. The objective of this program is to reduce welfare dependency for a significant portion of single parents and their children. The program's goals will be achieved by providing welfare recipients with a mandatory program that will offer them a broad range of employment and supportive services as a means of achieving self-sufficiency.

Generally, it is agreed that the GAIN program must be viewed as an investment that will result in long-term benefits to both society and the economy. Each county will complete a detailed plan for educating, assessing, training, and placing able-bodied welfare recipients in meaningful jobs. While the GAIN program is expected to be operational in all counties within three years, it is not expected to be fully implemented statewide for at least five years. In 1986–87 it is expected that one-third of the AFDC caseload will be involved in GAIN activities.

Education

Education continues to be this Administration's number one budget priority. The Administration's goal is to make California's education system the best in the nation. The total funding level in the 1986–87 Governor's Budget for all educational programs is $21.6 billion. This amount includes expenditures totalling $16.9 billion which represents 55 percent of all General Fund expenditures for 1986–87.

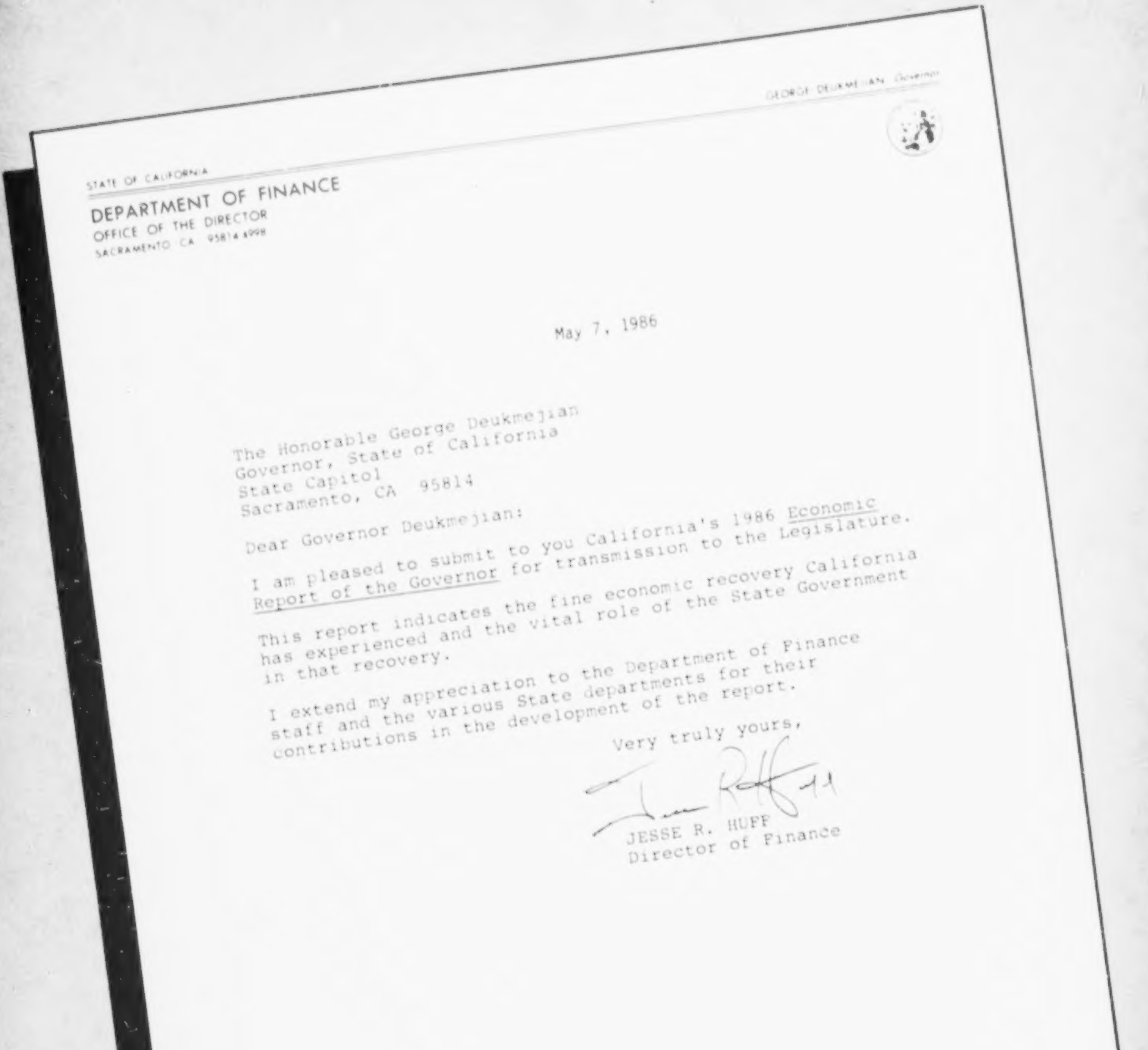
By working with the Legislature, the Administration has provided K–12 with a 23 percent increase per student, after adjusting for inflation, since 1982. Efforts also continue to ensure that once students graduate from high school they will continue to find excellent opportunities in the higher education system. With the funding level proposed in the 1986–87 Budget, increased resources for the University of California, Cal State University and our Community Colleges will increase by over 20 percent per student after adjusting for inflation.

Education is the key to California's future if we are to maintain a leadership position in the nation and the world. The Administration is committed to maintaining California's status as the best educated work force in the nation and making our citizens competitive in the job market.

Public Safety

In order for a state to grow and prosper, it must be able to operate in a safe and secure environment. Public safety continues to be one of the five top spending priorities of this Administration. With the increases proposed in the 1986–87 budget, the number of State law enforcement personnel will have increased by 38 percent in four years. In addition, a major multi-year prison expansion program is well underway, as well as assistance to local jurisdictions for jail remodeling and construction.

Efforts are also continuing in the areas of crime prevention, development of new technology for apprehension and conviction of criminals and improving the much needed services for crime victims. All efforts to build an opportunity society will be worthless if the State can't do a better job of protecting its residents and businesses from crime.



GEORGE DEUKMEJIAN, Governor

STATE OF CALIFORNIA
DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR
SACRAMENTO, CA 95814-4998

May 7, 1986

The Honorable George Deukmejian
Governor, State of California
State Capitol
Sacramento, CA 95814

Dear Governor Deukmejian:

I am pleased to submit to you California's 1986 Economic Report of the Governor for transmission to the Legislature.

This report indicates the fine economic recovery California has experienced and the vital role of the State Government in that recovery.

I extend my appreciation to the Department of Finance staff and the various State departments for their contributions in the development of the report.

Very truly yours,

JESSE R. HUFF
Director of Finance

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STATISTICAL APPENDIX A1

I. An Overview on the National Economy

The *Economic Report of the Governor* covers a wide variety of economic aspects on California. It is sometimes difficult, however, to appraise the State's situation in isolation. Given the size of California—including the fact that it accounts for approximately 12 percent of all economic activity in the United States—it is useful to have an overview of economic developments nationally. This is especially true in discussion of the outlook, which is highly dependent on national policies.

The United States saw a somewhat lackluster economy with numerous offsetting forces at work. Employment registered good, if not spectacular, gains. Personal income, however, recorded its smallest gain in more than two decades. Final sales were up a strong 4.0 percent, but total gross national product in inflation-adjusted terms rose only 2.3 percent, given the sharp drop in the pace of inventory accumulation and the deteriorating net export position of the Nation. Interest rates fell sharply, especially for home mortgages, yet housing starts were down from the year-earlier level.

Overall, 1985 can best be described as a period of consolidation, with widely varying anticipations for events likely to develop in 1986 and 1987.

The consumer was without question the major player in the economy last year. Consumption of goods and services was up 3.3 percent in real terms. Confidence in the outlook, buoyed by rising employment and low inflation, contributed to the willingness to take on substantially higher debt obligations. Consumer installment credit increased by a hefty 19.4 percent in 1985. Over the past two years, credit extensions have soared by more than 40 percent, compared with income growth of just over 14 percent.

Investment was also up strongly, with the main thrust in plant and equipment. To some extent growth in this component may have been stimulated by concerns over possible tax changes in 1986, which seemed likely to reduce depreciation allowances and curb or eliminate the investment tax credit. Such changes would severely limit tax shelter possibilities.

These considerations undoubtedly served as a stimulus for the construction of multiple-family housing, which was in large part responsible for the rise in residential investment. There was, however, an underlying dichotomy in the housing sector. Interest rates fell significantly during the year, but housing activity did not rise as might have been expected. It is possible that expectations of further rate cuts deferred some investment decisions.

Federal government spending was also strongly stimulative, as shown by the $220 billion budget deficit recorded for the year. Defense spending was up by 7.1 percent in real terms, with nondefense outlays rising nearly 20 percent. The nondefense gain was attributable in large part to agricultural loans under the Commodity Credit Corporation.

The three weak areas involved state and local spending, which increased less than 3 percent; the change in business inventories and net exports.

The somewhat sluggish performance of the economy in 1985 appeared to have eliminated potential downside pressures, at least for the short run. Even so, there was a wide range of opinion for the coming year. At the high end were those who expected stimulative monetary policy of the past several months to lead to a strong resurgence in growth, with developing inflationary pressures by the end of 1986. Under these scenarios, the possibility of a downturn by 1988 was significantly increased.

At the other extreme were those who felt the expansion of the past two years had peaked, and that a mild recession was possible in 1986. This forecast was based largely on the massive increase in consumer debt relative to income, which could be interpreted as a sign that consumers were about to embark on a period of debt reduction. This would, of course, cut into future sales gains and potentially lead to severe inventory imbalances.

Another consideration was the level of business investment over the past year, which led to rising vacancies rates. To the extent such investment was encouraged by possible tax law changes, a period of absorption could be expected.

Most forecasters took a middle-of-the-road position with respect to the outlook. The consensus forecast evolved toward moderate real growth for the year at 3 percent or slightly higher. Employment and income gains were constrained by historical standards—employment because of business caution in extending payrolls, and income by the low rate of inflation. Consumer spending was projected up moderately, although car sales were expected to stay comparatively strong. Housing starts were placed at a 1.8 million rate, with lower interest rates a strong supporting factor.

Two aspects deserve special mention: the change in business inventories and net exports. These two factors can significantly change the summary measures of a forecast. More specifically, two forecasts may be quite similar in terms of consumption, fixed investment and government spending, but appear quite dissimilar on the surface because of different assumptions on export and inventory trends. These aspects do not readily lend themselves to precise analysis. Exports are also subject to large estimating errors initially, which can distort perceived trends in the short term.

The latest forecast of the Department of Finance is somewhat stronger than the consensus as of the first part of 1986. The year-end revision of the National Income and Product Accounts has been incorporated, as well as preliminary data on the first quarter.

There appears to have been an improvement in business activity after the somewhat lethargic holiday sales period. Renewed interest rate incentives for selected models were a major influence in the strengthening of car sales. Post-holiday sales appear to have been successful, further reducing retail inventories. Declining mortgage rates led to firming in the home resale market, which provides a stimulus for housing construction.

Earlier concerns about tax legislation were reduced somewhat, and investment continued to be strong. Consumer debt levels, being monitored closely, did not appear to be as burdensome as feared late last year. Inventories in some industries were unusually low, suggesting that a period of substantial rebuilding will occur.

The largest concerns now relate to 1987 and 1988. The full impact of the Gramm-Rudman-Hollings deficit reduction legislation will start to be felt then, assuming no new legislation to temper its effects. This would lead to major changes in government spending, and would affect business firms which are dependent on federal—and state-local to a lesser extent—contracts.

By 1987 there may well be renewed concerns that the consumer is due for a period of retrenchment, which could lead to involuntary inventory accumulation and subsequent reductions—a typical inventory cycle.

Not to be ignored is the fact that the current expansion will by then be more than four years old. On the one hand, there is no reason to assume that the length of an expansion *per se* is a prime cause of its end. It is certainly possible that the Nation will be able to go through the end of the decade without a serious slump. Such a performance would be the exception, however, and for this reason, if none other, should not be counted on. Alternative forecasts, which are prepared in November and May, will take into consideration the possibilities of much stronger growth and, at the other extreme, recession in 1987.

The forecast which follows was based on several specific assumptions.

- Monetary policy will remain moderately stimulative. In effect, this will accommodate the federal deficit.
- Interest rates will decline slightly to the end of 1986, but firm gradually in 1987.
- The political realities of Gramm-Rudman-Hollings will lead to an accord which involves both cuts in federal spending and increased revenues.
- Oil prices will settle at about $13.50 per barrel for benchmark crudes. This will lead to a 25 to 30 percent reduction in gasoline prices.
- Consumer debt levels are not sufficiently high to curtail spending, although gains in 1986 and 1987 will be less than those of the past two years.
- Auto industry incentives will continue to stimulate sales through summer.
- Net exports will show gradual improvement.
- Inventory levels are unusually low in most sectors, a factor which will lead to intentional rebuilding in 1986.

The following table summarizes the latest forecast of the Department of Finance. It was this scenario which served as the basis for the California projections which are described in the following chapters.

Table I-1
THE NATIONAL OUTLOOK
(Dollar amounts in billions)

			Percent change	
	1986	*1987*	*1986*	*1987*
Real gross national product	$3,665	$3,822	2.7	4.3
Consumption	2,384	2,457	3.0	3.1
Investment	684	724	5.4	5.8
Inventory change	15	11	—	—
Net exports	−123	−100	—	—
Government purchases	721	741	0.7	2.7
GNP deflator (1982 = 100)	114.4	117.2	2.1	2.8
GNP, current dollars	4,192	4,482	5.1	6.9
Personal income	3,454	3,675	4.9	6.4
Corporate profits	230	283	2.1	23.1
Wage and salary employment (mn)	100.5	103.6	2.9	3.0
Unemployment rate	6.9	6.5	—	—
Housing starts (th)	1,958	1,957	12.4	−0.1
Car sales (mn)	10.4	11.0	−6.5	5.5
Industrial production (1972 = 100)	127.3	131.8	2.2	3.5
Consumer price index	329.3	339.6	2.2	3.1
Prime interest rate	8.8	8.8	—	—
Mortgage rate	10.4	10.3	—	—

II. Employment

The past year saw a sharp deceleration in the rate of job expansion in California. This was undoubtedly attributable in part to a natural settling back from the strong growth pattern of 1984. Beyond this, there may have been a period of consolidation in many industries, during which employment and production levels were brought into balance with apparent ongoing demand. Finally, the temporary slowdown in economic activity during the second half of 1985 was accompanied by a sharply reduced rate of hiring.

Given these developments, the 3.2 percent rise in total employment for the past year, the decline in the unemployment rate, and the continued recovery in most sectors represented solid achievements.

The Labor Force

Labor force data tend to be erratic during the year, complicating analysis on a month-to-month basis. Over the span of a year, however, underlying trends become much clearer and provide a good indication of the overall direction of the economy.

In 1985, the civilian labor force rose by 318,000, a gain of 2.5 percent. This was an average expansion, reflecting sustained economic growth. Civilian employment increased by 3.2 percent to reach 12,007,000. As a result, unemployment declined to an average 931,000, with the jobless rate falling to 7.2 percent, the same as the national rate.

The unemployment rate in California tends to fluctuate sharply over the course of a year, however. The high was recorded in June and again in October, at 7.6 percent, and the low in December, at 6.7 percent. Both these extremes are suspect: sampling problems and seasonal adjustment techniques can lead to temporary aberrations in the series.

Even so, the downward trend in unemployment and the rise in the number of employed individuals reflected the economic gains made over the past year.

Wage and Salary Employment

Data on wage and salary employment are a better indicator of economic conditions. They are based on actual reports from a large number of employers in the State, and are published by industry. Furthermore, quarterly benchmarks are available, which insure that current estimates are consistent with fairly recent actual figures. Over time, the wage and salary series should follow a path which is generally comparable to that of the civilian employment series. In the short term, however, the wage series is subject to wider swings over the course of a business cycle, and more representative of underlying business conditions.

Nonagricultural wage and salary employment increased by 4 percent in 1985, rising to an average 10,994,300. The series crossed the 11 million mark for the first time in October. The 420,000 job gain was spread across every major sector except mining.

Annual data conceal significant trends during the year, however. Employment started out the year nearly 5 percent above the comparable month in 1984. By year end, in contrast, gains had fallen to 2.4 percent. The tapering appears to have been somewhat greater in California than in the rest of the country, although data revisions for the Nation later this year may show a similar pattern for the U.S.

The steady growth in population of slightly less than 2 percent, the initial surge in employment following the trough of the last recession, and the temporary lull in business activity nationally all contributed to the gradual reduction in growth to more normal, sustainable levels.

The Goods-producing Industries

Mining. The mining sector is the smallest of the major sectors in California, with only 49,400 employees. It

TABLE II-1
CALIFORNIA EMPLOYMENT, 1984 AND 1985

Labor Force	*1984*	*1985*		
			Change from 1984	
	Thousands	*Thousands*	*Thousands*	*Percent*
Civilian labor force	12,619.0	12,937.0	318.0	2.5
Civilian employment	11,638.0	12,007.0	369.0	3.2
Unemployment	981.0	931.0	−50.0	−5.1
Unemployment rate	7.8	7.2	—	—
Total Nonagricultural Employment	10,573.8	10,994.3	420.5	4.0
Mining	50.0	49.4	−0.6	−1.2
Construction	445.2	492.6	47.4	10.6
Manufacturing	2,065.5	2,083.7	18.2	0.9
Nondurable goods	639.2	637.3	−1.9	−0.3
Durable goods	1,426.3	1,446.4	20.1	1.4
Aerospace				
Other durables				
Transportation and utilities	554.6	572.0	17.4	3.1
Trade	2,507.4	2,624.2	116.8	4.7
Wholesale	643.4	673.9	30.5	4.7
Retail	1,864.0	1,950.3	86.3	4.6
Finance, insurance and real estate	694.2	724.0	29.8	4.3
Services	2,509.5	2,654.0	144.5	5.8
Government	1,747.4	1,794.5	47.1	2.7
Federal	334.4	343.5	9.1	2.7
State and local	1,413.0	1,450.9	37.9	2.7

Note: Table based on interim employment series prepared by the California Employment Development Department. Detail may not add to totals due to rounding.

was also the only sector to see a decline in the number of jobs in 1985. This was due entirely to cutbacks in energy resource production, a fallout from lower fuel prices. Fuel production activities account for more than 80 percent of mining employment in California.

Construction. The construction sector was again a star performer, with the largest relative job gain of any major sector: 10.6 percent. The 47,400 jobs created in construction accounted for more than 11 percent of all new jobs in the State.

Virtually all components of construction saw substantial gains. Special trades construction workers account for 60 percent of the sector. This component and general building workers experienced the largest gains during 1985: 11.7 and 11.6 percent, respectively. The rise in heavy construction employment was more subdued at 4.4 percent.

The strength in construction may well have been due more to unusual financial situations than to continuing basic strength in the industry. As will be discussed in detail in a later section, construction activity was buoyed during the year by anticipated tax law changes. New contract awards for both residential and nonresidential projects far exceeded expectations last year. To the extent that the California market has been overbuilt, there may be a period of little, if any growth in construction employment over coming quarters.

Manufacturing. Manufacturing activity experienced varied trends during the year. Durable goods industries registered a 1.4 percent growth for the year, which was a good performance after the 7.5 percent rise in 1984. Nondurable goods, in contrast, were down slightly last year.

The rise in durables was attributable largely to strong gains in the transportation and electrical equipment components, which offset declines in nonelectrical machinery, primary metals, stone-clay-glass, and the miscellaneous category. The slump in nonelectrical machinery was due to softness in the office machine and computing area, which has been feeling the effects of a slowdown in sales.

Nondurable goods activities saw a marginal job drop of 0.3 percent in 1985, reflecting declines in food processing, rubber, chemicals, petroleum and (the smallest component) leather manufacturing. The softness in food processing could be attributed to continuing problems in the agricultural sector. Lower oil prices undoubtedly impacted petroleum refining activities. The weakness in chemicals may well be tied to both oil prices and reduced agricultural demand.

The weakness in manufacturing which is evident from the data in tables II-2 and II-3 illustrates the basic structural change which appears to be underway throughout much of the country. Manufacturing activity continues to shrink as a share of all employment in the State. No one reason can be offered for this development. Indeed, the causes are complex and interrelated. The surge in imports in recent years as the US dollar has strengthened is most often credited with making domestic manufactured goods noncompetitive. There are other factors which cannot be ignored, however. These

TABLE II-2
MANUFACTURING EMPLOYMENT, 1983 TO 1985
(in thousands)

	1983	1984	1985	Percent change 1984	Percent change 1985
Total	1,949.3	2,065.5	2,083.7	6.0	0.9
Nondurable goods	622.0	639.2	637.3	2.8	−0.3
Food processing	173.4	173.3	170.3	−0.1	−1.7
Textiles	13.0	13.7	14.1	5.4	2.9
Apparel	103.2	108.0	107.1	4.7	−0.8
Paper and products	37.0	38.7	39.7	4.6	2.6
Printing and publishing	128.3	136.5	140.0	6.4	2.6
Chemicals	63.8	64.1	63.3	0.5	−1.2
Petroleum products	31.0	30.0	29.8	−3.2	−0.7
Rubber and plastics	62.8	66.5	65.4	5.9	−1.7
Leather	9.5	8.5	7.5	−10.5	−11.8
Durable goods	1,327.3	1,426.3	1,446.4	7.5	1.4
Lumber and wood products	50.6	55.1	56.0	8.9	1.6
Furniture and fixtures	51.6	59.2	59.6	14.7	0.7
Stone-clay-glass	48.7	51.6	50.5	6.0	−2.1
Primary metals	43.5	42.6	41.5	−2.1	−2.6
Fabricated metals	137.9	146.7	146.5	6.4	−0.1
Nonelectrical machinery	223.4	239.2	228.6	7.1	−4.4
Electric and electronics	365.4	406.3	419.5	11.2	3.2
Transportation equipment	261.9	277.5	295.9	6.0	6.6
Instruments	103.7	110.1	113.2	6.2	2.8
Miscellaneous	40.6	37.9	35.1	−6.7	−7.4

Source: California Employment Development Department

TABLE II-3
MANUFACTURING EMPLOYMENT AT YEAR-END, 1983 TO 1985
(in thousands)

	Dec. 1983	Dec. 1984	Dec. 1985	Percent Change Dec. 1983–84	Percent Change Dec. 1984–85
Total	1,971.2	2,075.3	2,077.2	5.3	0.1
Nondurable goods	623.1	624.2	633.2	0.2	1.4
Food processing	165.1	163.9	161.4	−0.7	−1.5
Textiles	13.5	13.3	15.0	−1.5	12.8
Apparel	105.8	104.7	108.0	−1.0	3.2
Paper and products	37.5	39.4	39.4	5.1	nc
Printing and publishing	132.8	138.3	144.5	4.1	4.5
Chemicals	63.3	63.3	63.2	nc	−0.2
Petroleum products	31.0	29.2	29.9	−5.8	2.4
Rubber and plastics	64.6	64.0	64.6	−0.9	0.9
Leather	9.5	8.1	7.2	−14.7	−11.1
Durable goods	1,348.1	1,451.1	1,444.0	7.6	−0.5
Lumber and wood products	51.8	51.1	55.5	−1.4	8.6
Furniture and fixtures	55.2	61.2	61.3	10.9	0.2
Stone-clay-glass	49.6	51.0	50.1	2.8	−1.8
Primary metals	42.5	42.5	40.8	nc	−4.0
Fabricated metals	139.7	146.5	144.5	4.9	−1.4
Nonelectrical machinery	231.2	240.1	219.6	3.8	−8.5
Electric and electronics	374.7	422.2	419.2	12.7	−0.7
Transportation equipment	258.4	285.7	306.0	10.6	7.1
Instruments	105.8	114.0	112.5	7.8	−1.3
Miscellaneous	39.2	36.8	34.5	−6.1	−6.2

Source: California Employment Development Department

range from consumer preferences, perceptions of quality, productivity and costs of production. There is no immediate means of effecting a turnaround in manufacturing. It may well be that a basic change is underway which will further increase the importance of service-producing industries at the expense of goods-producing activities.

Aerospace Trends. The aerospace/electronics sector is a major factor in California, accounting for roughly one-third of all manufacturing jobs in the State. In some regions, the health of the aerospace and electronics sector strongly influences the entire regional economy. As a result, there is considerable interest in future prospects, especially in the light of possible cuts in federal spending.

Aerospace employment averaged 754,200 in 1985, up 3.3 percent from the 1984 level. More significant is the fact that the sector in overall terms has been on a virtual plateau during the year.

Individual industry trends varied sharply, however. Employment in aircraft and communications equipment was up strongly. The office, computing and accounting sector, as already noted, was weak. Problems in electronics have been well publicized. The Silicon Valley region, including Santa Clara and San Mateo counties, has been particularly hard hit by the slowdown in demand and increasing competition from foreign producers. Layoffs have been widespread.

The impact of this situation was mitigated, however, by the state's job sharing program. Under this program, persons can work four days a week and collect unemployment insurance for the fifth day. It is estimated that this program saved 25,000 jobs at its peak early in 1985. By year-end, in contrast, only 2,000 jobs were involved.

Fortunately, there were signs of improvement toward the end of last year, with indications of a modest pickup in sales. While this has yet to be reflected in employment data, it is anticipated that strengthening will take place during coming months.

The other major factor is federal spending. There has been increasing concern over this aspect, especially since passage of the Gramm-Rudman-Hollings deficit reduction legislation, and its implications for defense and other spending. California receives a major part of all defense and space contracts awarded annually. The last major downturn in aerospace/electronics, in 1968–71, was directly related to cutbacks in federal programs.

There are a number of aspects which deserve mention. Industry analysts have concluded that work

TABLE II-4
CONTRACT AWARDS TO CALIFORNIA FIRMS, 1980–85

	Department of Defense		*NASA*	
	$ Billions	*Percent of U.S.*	*$ Billions*	*Percent of U.S.*
1980	13,914	20.4	1,721	43.5
1981	16,699	19.0	1,875	42.8
1982	22,685	21.8	2,056	42.0
1983	26,387	22.2	2,131	37.6
1984	28,520	23.0	2,150	35.1
1985	29,115	20.8	n.a.	n.a.

Source: Department of Defense

TABLE II-5
DEFENSE CONTRACTS BY MAJOR CATEGORY OF PROCUREMENT
(in millions of dollars)

	1983	*1984*	*1985*	*Percent change 1983–85*	*Percent of total 1985*
Total	$26,387	$28,520	$29,115	10.3	100.0
Airframes	5,313	6,732	7,196	35.4	24.7
Aircraft engines	88	147	148	68.2	0.5
Other aircraft equipment	811	1,069	1,003	23.7	3.4
Aircraft related, total	6,212	7,948	8,347	34.4	28.7
Missile, space systems	6,566	7,101	7,679	17.0	26.4
Electronics, communication equipment	4,557	4,928	5,038	10.6	17.3
Services	1,638	1,745	1,851	13.0	6.4
Weapons	1,554	1,316	1,384	−10.9	4.8
Petroleum	1,103	1,088	997	−9.6	3.4
Ships	1,504	1,086	855	−43.2	2.9
Construction	1,096	1,007	984	−10.2	3.4
Combat vehicles	669	722	482	−28.0	1.6
Ammunition	500	675	549	9.8	1.9
All other *	988	903	947	−4.1	3.3

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* All other includes non-combat vehicles, fuels and lubricants other than petroleum, separately procured containers and handling equipment, textiles and clothing, military building supplies, subsistence, production and construction equipment, medical and dental supplies and equipment, photographic equipment and supplies, materials handling equipment, and all other equipment and supplies.

Source: Department of Defense, Directorate for Information Operations and Reports. *Department of Defense Prime Contract Awards by Region and State* in the pipeline (work which is highly unlikely to be affected by spending cuts) will support the industry for the next year to year-and-a-half. As a result, federal cuts would not become a significant factor until mid-1987.

It is not easy to relate contracts directly to employment, given classification methods in employment reporting, subcontracting activities and security aspects, to name only three factors. It is also difficult to separate out commercial, as opposed to government, impacts. Nevertheless, the sheer volume of activity which is reported provides an indication of the overall importance of the industry within California.

Defense contracts have more than doubled over the past several years. It is estimated that they amounted to $29.1 billion for the federal fiscal year of 1984–85. NASA awards have moved only slightly higher.

The defense buildup has been due primarily to higher spending for military aircraft, missiles and space systems and electronics. Together, these three components accounted for nearly three-fourths of the defense work awarded to firms in California during the 1984–85 fiscal year. Tables II-6 and II-7 indicate the different conclusions which can be drawn from data on an annual, or a December-to-December, basis. Even though the annual figures were up, there was pronounced weakness during the past year in several components. The outlook from this point on is complicated by the cross-currents at work. Firming in the electronics industry may merely offset any cuts which are implemented in defense work in coming months.

The critical factor is, without doubt, Gramm-Rudman-Hollings. If this legislation leads to a sharp curtailment in federal spending for 1986–87, defense and space programs will be impacted, and California firms will feel the effects.

In the absence of any real information on potential changes, only tentative forecasts can be reasonably given for the coming two years. The latest appraisal of the Department of Finance, completed mid-March, foresees aerospace/electronics employment at an average 758,000 for 1986, with only a modest increase in 1987 to 766,000. It should be emphasized, however, that additional information on contract adjustments over the next year, overall business trends, and possibly other changes in fiscal policy could alter this outlook significantly.

Service-producing Industries

Services. The service-producing industries encompass all those activities which do not involve goods production: transportation-utilities,

TABLE II-6
AEROSPACE/ELECTRONICS EMPLOYMENT: ANNUAL AVERAGES
(in thousands)

	1983	1984	1985	Percent change 1984	Percent change 1985
Total	672.0	730.0	754.2	8.6	3.3
Office, computing and accounting equipment	109.9	117.9	109.6	7.3	−7.0
Radio and TV receiving equipment	13.5	13.7	13.2	1.5	−3.6
Communication equipment	158.7	167.2	180.9	5.4	8.2
Electronic components and accessories	139.8	165.3	165.1	18.2	−0.1
Aircraft and parts	133.3	141.1	154.3	5.9	9.4
Guided missiles and space vehicles	69.3	73.8	78.3	6.5	6.1
Measuring and controlling instruments	47.5	51.1	52.9	7.6	3.5

Source: California Employment Development Department

TABLE II-7
AEROSPACE/ELECTRONICS EMPLOYMENT: DECEMBER
(in thousands)

	December 1983	December 1984	December 1985	Percent change 1984	Percent change 1985
Total	689.3	753.5	758.3	9.3	0.6
Office, computing and accounting equipment	114.1	116.3	105.2	1.9	−9.5
Radio and TV receiving equipment	13.3	14.1	12.6	6.0	−10.6
Communication equipment	161.0	174.0	186.8	8.1	7.4
Electronic components and accessories	150.5	171.7	160.0	14.1	−6.8
Aircraft and parts	131.2	147.1	162.1	12.1	10.2
Guided missiles and space vehicles	70.8	76.7	79.3	8.3	3.4
Measuring and controlling instruments	48.4	53.6	52.3	10.7	−2.4

Source: California Employment Development Department

trade, services, finance-insurance-real estate and government. By far the largest of these is services, which accounted for nearly one out of every four jobs at the end of 1985, and provided work for more than 2.6 million Californians.

Employment in services rose by 5.8 percent in 1985, a gain exceeded only by construction among the major sectors. As in manufacturing, however, the performance of individual components varied widely.

Business services again led the increase. In the last two years, the job increase in this area has exceeded 25 percent. In effect this points up the impact of small business expansion in the State. Business services tend to be concentrated in firms with relatively few employees. Small business generally sees the greatest growth during an economic expansion and, conversely, the greatest losses during a downturn. The strength of the expansion to date has provided an ideal environment for growth in this area.

Other service components generally rose by 5 to 6 percent. The only slow growth was recorded in amusement and recreation services.

Services employment as a share of all nonagricultural wage and salary employment has increased approximately 4 percentage points every decade. In 1955 services accounted for 12.5 percent of all wage and salary jobs. By 1985 its share had increased to 24.1 percent, with no slowdown in sight.

Trade. Trade activities are the second largest service industry in the State, also accounting for nearly one in four jobs. They have shown strong, sustained growth over the past three years, reflecting income gains, a high degree of consumer confidence, a surge in spending for homes and big ticket items and significant gains in tourism. Increases in the retail segment have led to a comparable rise in wholesale activity.

Finance - insurance - real estate. The finance group has benefited in recent years from a variety of factors which have contributed to growth above that generally expected. In 1985, declining interest rates and the strong new construction sector helped the real estate component, which was up 8.3 percent. Combined real estate and insurance companies and investment concerns saw employment rise by 10.6 percent. Insurance was up a modest 3.8 percent, while financial institutions saw an employment gain of only 2.5 percent. The latter continue to experience problems related to declining interest rates, nonperforming loans in agriculture and other sectors and increased competition.

TABLE II-8
SERVICE EMPLOYMENT, 1983 TO 1985
(in thousands)

	1983	*1984*	*1985*	*Percent change*	
				1984	*1985*
Total	2,332.2	2,509.5	2,654.0	7.6	5.8
Hotels, motels, etc	123.1	136.1	144.5	10.6	6.2
Personal services	103.6	109.6	115.7	5.8	5.6
Business services	516.6	606.5	647.0	17.4	6.7
Auto, misc. repair	138.7	154.4	163.0	11.3	5.6
Motion pictures	79.3	75.5	80.8	−4.8	7.0
Amusement, recreation	104.0	109.8	111.9	5.6	1.9
Health	606.0	616.7	651.1	1.8	5.6
Other	660.8	700.8	740.1	6.1	5.6

Source: California Employment Development Department

TABLE II-9
SERVICE EMPLOYMENT AT YEAR-END, 1983 TO 1985
(in thousands)

			Percent change		*Percent of total*	
	Dec. 1984	*Dec. 1985*	*Dec. 1983–84*	*Dec. 1984–85*	*Dec. 1984*	*Dec. 1985*
Total	2,584.4	2,722.4	7.2	5.3	100.0	100.0
Hotels, motels, etc	141.1	147.9	10.1	4.8	5.5	5.4
Personal services	111.0	116.4	4.0	4.9	4.3	4.3
Business services	639.6	670.5	14.1	4.8	24.7	24.6
Auto, misc. repair	158.8	164.9	7.4	3.8	6.1	6.1
Motion pictures	78.3	87.2	−0.9	11.4	3.0	3.2
Amusement, recreation	108.0	110.3	7.2	2.1	4.2	4.1
Health	622.6	666.4	2.4	7.0	24.1	24.5
Other	725.0	758.8	6.7	4.7	28.1	27.9

Source: California Employment Development Department

This has led to consolidations, mergers, and streamlining in order to improve efficiency and thereby insure more profitable operations. On an overall basis, though, problems in this State have been minor compared to those in many other areas of the country.

Employment for the entire finance-insurance-real estate group increased by 4.3 percent last year, to an average 724,000.

Transportation-utilities. The transportation and utility sector has been rising at a moderate pace, due largely to gains in trucking and warehousing and other non-rail transportation. Utility industries saw only a slight rise in employment, while the communication sector was flat. Overall, employment for the year was up 3.1 percent in 1985, to an average 572,000.

Government. The government sector reflected somewhat surprising trends. Federal civilian employment was up over the year, despite continuing pressures on the federal budget and efforts to reduce unnecessary expenditures. The number of federal jobs in California rose 9,100 on a year-over-year basis, and 11,000 between December 1984 and December 1985.

The state-local sector showed a comparable relative increase, rising 2.7 percent to an average 1,450,900. Significant gains were seen in local education, cities and counties. These three groups accounted for three-fourths of the total rise in state and local government employment.

Agriculture

Agricultural employment continues to decline in California. In 1985 there were an average 233,000 farm production jobs in the State, reflecting a decline of 6.3 percent from 1984. The relative share of agriculture also continues to shrink. Farm jobs directly accounted for only 1.9 percent of all civilian employment last year, compared with 2.8 percent ten years earlier. The agricultural situation is reviewed more completely in the Chapter on Resource Industries.

Collective Bargaining

Little information was available on recent developments in collective bargaining at the time the Economic Report was being prepared. One significant change which deserves mention, however, was the continuing growth of two-tier wage systems.

Such systems are most prevalent in non-manufacturing sectors, and cover workers in the U.S. Postal Service, the International Association of Machinists, the United Food and Commercial Workers, Teamsters, Pilot/Flight Attendants, and the United Auto Workers.

The use of two-tier agreements is limited in manufacturing, although it is used among defense contractors of transportation equipment.

Close to 30 percent of California workers under 1984 negotiated agreements were covered by two-tier plans, compared with only 6 percent under 1983 agreements. The incidence of these plans was highest in the trade and service sectors. For example, 97 percent of workers in major retail food contracts in 1984 were under two-tier settlements. The dual-wage system is also common in the airline industry, where deregulation has led to increased competition.

The concept of wage differentials has spread beyond two-tier wage systems to cost-of-living adjustments (COLAs) and vacation and sick leave accruals. Wage-benefit differentials are also being based on factors other than date of hiring, including skill levels and full-time versus part-time status.

A sample of bargaining agreements suggests that wage increases have moderated sharply in recent years. The proportion of workers under major contracts with COLA declined from 31 percent in the previous bargaining cycle to 28 percent in 1984 agreements. For the third consecutive year, air transportation settlements recorded wage freezes or decreases in the first year of settlement.

Figure II - 1

Comparative Changes in Employment (Based on Nonagricultural Wage and Salary Series)

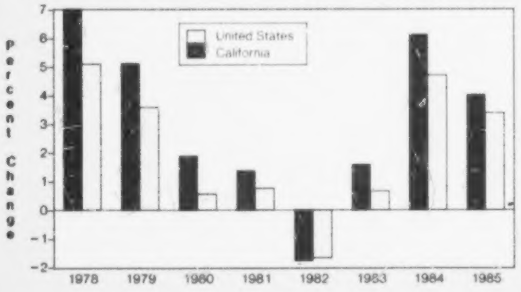
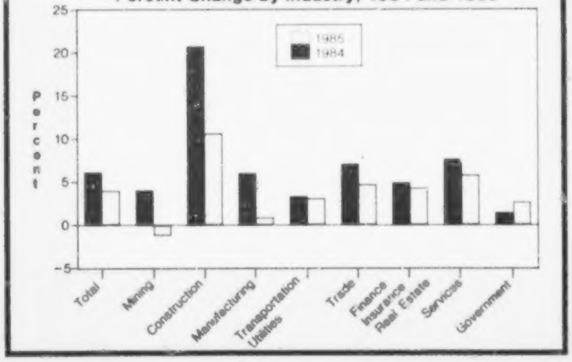


Figure II - 2

California Nonagricultural Employment: Percent Change by Industry, 1984 and 1985



Median first year increases in wage agreements, California

1980	10.5%
1981	10.1%
1982	6.0%
1983	3.4%
1984	2.6%
1985	2.0%

Upcoming Negotiations. Labor negotiations will cover more than 698,000 workers in 1986 under 264 agreements. The construction industry will account for the large share of these, with 48 agreements covering nearly 228,000 workers. Major contracts include those between the Carpenters and Laborers and the Associated General Contractors in Northern and Southern California.

Other major agreements will cover workers in the telecommunications, retail food, aircraft, and utility sectors. There are 18 agreements coming up which involve workers in the hotel and restaurant industry. Another 29 agreements covering 63,100 workers will be negotiated in the retail food and liquor stores sector. Table II-10 summarizes the collective bargaining calendar for 1986.

Regional Trends

The solid growth of the past year was reflected in most regions of the State. The largest job gains in relative terms occurred in the middle-sized metropolitan areas. Comparatively faster growth in areas outside the largest SMSAs has continued now for several years, with space and cost considerations important elements.

These are primary reasons behind the exceptionally strong growth in the Riverside-San Bernardino area, for instance. Housing in particular is more available and more affordable in these counties and the existing highway system makes it feasible to commute to work in Los Angeles and Orange counties. Oxnard-Ventura is benefitting from the same situation. The same trend is evident in Northern California with above-average growth in the Santa Rosa and Vallejo areas. Business is also moving more toward these regions, which will keep their growth rates strong for the foreseeable future.

TABLE II-10
MAJOR CALIFORNIA WAGE NEGOTIATIONS IN 1986[*]

Month	*Industry*	*No. of Workers*
January	*All industries*	*42,090*
	Petroleum, refining and related industries	5,030
	Electric, gas, and sanitary services	23,270
February	*All industries*	*70,080*
	Retail food and liquor stores	35,050
March	*All industries*	*46,020*
	Food and kindred products	9,000
	Stone, clay and glass products	3,340
	Eating and drinking places, hotels and other lodging places	13,500
April	*All industries*	*26,840*
May	*All industries*	*19,250*
	Food and kindred products	3,510
	Air transportation	3,390
June	*All industries*	*127,600*
	Construction—general contractors	98,480
	Construction—special trade contractors	7,970
	Business services	4,500
July	*All industries*	*149,780*
	Construction—general contractors	95,360
	Construction—special trade contractors	17,220
	Ship and boat building and repairing	9,000
	Automobile dealers, garages, and service stations	4,740
	Professional, educational and related services	3,500
August	*All industries*	*98,430*
	Telecommunications	70,580
	Eating and drinking places, hotels and other lodging places	9,400
September	*All industries*	*20,210*
	Food and kindred products	4,400
	Telecommunications	3,850
October	*All industries*	*52,920*
	Aircraft and ordnance	32,890
November	*All industries*	*12,500*
December	*All industries*	*19,060*
	Aircraft and ordnance	5,500
	Air transportation	4,230
	Total	698,280

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[*] During the months specified the individual industries listed have at least 3,000 workers involved in bargaining. The all-industries total includes all contracts covering 500 or more workers in each of the months specified.

TABLE II-11
EMPLOYMENT GROWTH IN SELECTED METROPOLITAN AREAS, 1985

	Percent change
Riverside-San Bernardino	7.6
San Diego	6.6
Sacramento	5.5
Oxnard-Ventura	5.2
Salinas-Seaside-Monterey	5.2
Santa Rosa-Petaluma	4.8
Anaheim-Santa Ana	4.5
Modesto	4.4
Stockton	4.3
Vallejo-Fairfield-Napa	4.3
Oakland	4.0
Bakersfield	3.5
Santa Barbara-Santa Maria-Lompoc	3.3
Fresno	2.7
Los Angeles-Long Beach	2.6
San Francisco	1.6
San Jose	1.6

Source: California Employment Development Department

Unemployment patterns were somewhat different. There is a wide disparity in jobless rates around the State. The densely populated metropolitan areas have rates which would be considered full employment: i.e., less than 6 percent. In

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fact, the unemployment rate is so low in some counties that potential—if not actual—labor shortages exist. The normal job changing process and the fact that skill requirements and the abilities of available workers may not match accounts for a minimum level of unemployment. Historically this has been set at 4 percent to 5 percent. In more recent years, however, demographic factors and changing skill requirements have led this figure to be raised to 6 percent. There have even been suggestions that a still higher level may be more appropriate.

At any rate, California has made major strides in reducing joblessness. The areas with the largest problems are still the resource counties—primarily in the northern and central part of the State—which are dependent on lumbering, agriculture, and other resources. These counties also have a wide seasonal fluctuation, which exacerbates the problem during the winter.

The coastal counties rely to a large extent on fishing activities, which have been buffeted in recent years by less than favorable developments. Efforts are underway to improve the fisheries situation. A new Pacific whiting processing plant in Crescent City will create 200 jobs and double the value of fish landings in the area. While efforts like this appear small in the overall context of the California economy, they are an important first step to reducing joblessness in the resource counties.

The data in Table II-11 compare annual averages and figures for October. October was selected as a month which avoids a large part of the seasonal factor arising from unusual agricultural and food processing activity.

Outlook

Recent trends in employment suggest that 1986 will again see solid gains in most industries. Nonagricultural wage and salary employment

TABLE II-12
UNEMPLOYMENT BY COUNTY, 1984 AND 1985

			October	
	1984	*1985*	*1984*	*1985*
Marin	4.3	3.8	3.7	3.6
San Mateo	4.3	3.9	3.5	4.1
Orange	4.7	4.4	4.1	4.7
San Diego	6.0	5.3	5.3	5.5
San Luis Obispo	5.7	5.5	5.2	5.3
Santa Barbara	6.0	5.6	5.6	5.3
Santa Clara	5.3	5.9	4.6	6.4
Contra Costa	6.6	5.9	5.7	6.0
San Francisco	6.5	6.0	5.7	6.1
Sonoma	6.5	6.0	5.2	5.8
San Bernardino	7.3	6.5	6.2	6.6
Alameda	7.0	6.6	6.0	6.8
Sacramento	7.8	6.7	6.6	6.7
Placer	8.3	6.8	6.7	6.3
El Dorado	7.9	7.0	6.4	6.3
Los Angeles	7.9	7.0	7.7	6.9
Napa	7.5	7.0	7.0	6.8
CALIFORNIA	7.8	7.2	7.0	7.2
Ventura	7.7	7.3	7.8	8.4
Alpine	5.3	7.3	3.0	9.7
Solano	7.7	7.3	6.7	7.2
Inyo	9.5	7.9	6.7	7.2
Riverside	8.6	8.1	8.0	8.9
Nevada	9.5	8.2	7.5	7.3
Mariposa	9.2	8.4	6.7	7.3
Santa Cruz	8.3	8.5	6.6	7.4
Amador	10.1	8.7	7.3	7.7
Yolo	10.3	9.2	8.6	8.6
Mono	12.0	10.1	12.8	12.0
Calaveras	13.0	10.4	9.4	9.1
Humboldt	11.8	10.6	9.5	9.4
Modoc	11.4	10.6	8.3	8.8
Monterey	10.7	10.6	8.0	8.8
Butte	11.7	10.7	8.7	9.0
Mendocino	12.0	10.9	8.6	8.9
Tuolumne	12.6	10.9	9.2	9.5
Tehama	12.0	11.3	8.5	8.8
Lassen	12.5	11.5	8.3	8.8
Kern	12.2	11.6	11.6	12.7
Kings	11.9	11.9	10.2	12.0
Madera	11.9	12.0	9.3	10.6
Lake	12.0	12.3	9.5	12.1
San Joaquin	13.1	12.7	10.8	11.6
Glenn	13.9	12.9	8.3	9.0
Fresno	12.9	13.0	11.9	12.9
Sierra	15.0	13.0	8.1	7.0
Shasta	14.1	13.2	11.0	10.8
Tulare	13.2	13.5	13.1	13.1
Colusa	14.0	13.8	9.3	9.6
Merced	13.3	13.8	10.6	11.8
Plumas	14.9	14.0	9.5	9.5
Yuba	16.1	14.2	11.7	11.5
Del Norte	16.3	14.5	12.8	12.8
Siskiyou	15.6	15.0	10.7	10.9
Stanislaus	16.1	15.2	12.5	13.6
Trinity	16.8	15.4	11.3	11.3
San Benito	16.0	15.5	12.1	13.3
Sutter	19.6	18.1	15.0	15.2
Imperial	35.6	34.0	33.7	38.1

Source: California Employment Development Department.

is expected to rise by 3.4 percent to an average 11,366,000. The primary growth sectors in terms of number of jobs will remain services and retail trade.

All of these gains will be tied to the stability in interest rates, the low rate of inflation and the high confidence factor for the economy in general.

With moderate employment gains and average growth in the labor force, unemployment is not expected to register any significant change. The jobless rate has been forecast at an average 6.7 percent for the year. This factor is one of the more difficult to forecast, however, given the fluctuations in the series from one month to the next.

The forecast which is given in Table II-13 for 1987 is based on a number of assumptions: no recession, no renewed inflationary pressures, no severe impacts from Gramm-Rudman-Hollings, no restrictive monetary policy and no run-up in interest rates. It is, in effect, an extrapolation of the 1986 outlook, since there are no signals suggesting that a slowdown is imminent. The likelihood of another recession cannot be ignored, however, since business cycle turning points are rarely recognized until after the fact.

TABLE II-13
EMPLOYMENT IN 1986 AND 1987, CALIFORNIA

	1986		*1987*	
	Thousands	*Percent change*	*Thousands*	*Percent change*
Civilian labor force	13,297	2.8	13,636	2.5
Civilian employment	12,402	3.3	12,761	2.9
Unemployment	888	-4.6	874	-1.6
Unemployment rate (percent)	6.7		6.4	—
Total nonagricultural wage and salary employment	11,366	3.4	11,739	3.3
Mining	48	3.0	49	2.3
Construction	516	4.7	520	0.9
Manufacturing	2,109	1.2	2,150	1.9
Nondurable goods	649	1.8	663	2.1
Durable goods	1,460	0.9	1,487	1.9
Aerospace	758	0.5	766	1.1
Other durables	702	1.4	721	2.7
Transportation and utilities	591	3.3	608	3.0
Trade	2,740	4.4	2,869	4.7
Wholesale	701	4.0	729	4.0
Retail	2,040	4.6	2,140	4.9
Finance, insurance and real estate	745	2.9	770	3.3
Services	2,785	4.9	2,925	5.0
Government	1,832	2.0	1,848	0.9
Federal	349	1.7	347	-0.8
State and local	1,482	2.1	1,501	1.3

Source: California Department of Finance

III. Income

Trends in personal income provide one of the best measures of overall economic activity in the State in the absence of annual data on gross state product. It is estimated that personal income in the State increased 7.7 percent last year to $399.8 billion. At this level, it represented 12.4 percent of the national total. Per capita income rose to $15,269, keeping California in the top five of all the states and the District of Columbia in terms of this measure.

The income gain last year was especially notable in real terms. The Department of Finance uses the national personal consumption expenditures deflator to adjust income data for price trends. This measure reflects actual purchases rather than the fixed market basket specified for the consumer price index. The fact that the deflator does not relate specifically to the State poses no problems, since California is so diverse and in effect reflects national developments.

On this basis, real income was up 4.6 percent in 1985. In per capita terms real income was up nearly 3 percent. Considering that overall income gains were modest in 1985, these changes are significant, and indicate the sustained expansion which is underway in California.

There was a significant difference between the Nation and California in income growth in 1985. Nationally personal income was up 6 percent. In California, the increase was 7.7 percent. The difference was attributed to moderately stronger wage gains in the State, and cyclical patterns which vary from those seen nationally.

Analysis is complicated at the moment by the fact that data for California and the U.S. are not on a comparable basis. The national series was revised significantly by the year-end data revision. The California series will not be available on the new basis until late summer. Given that California accounts for more than 12 percent of all personal income in the country, however, certain changes can be anticipated even now.

Rental income, for instance, will be revised down substantially. This is due to the incorporation of an expanded list of expenditures considered ordinary and necessary for both homeowner- and tenant-occupied housing.

Proprietors' income, in contrast, was raised sharply. The primary modification has been the incorporation of new information from federal sources on nonfilers of income and employment tax returns. Information from the economic censuses has also been utilized. These have given the Bureau of Economic Analysis (BEA) a better measure of small business transactions and also the size of the underground economy.

Transfer payments have been raised by nearly 10 percent in the U.S. Most of this was due to the way payments to medical providers under public assistance programs were treated. In the past, these were considered a State and local expenditure. Now they are classified as a transfer payment from government to individuals, since payments are made in the individual's name. State and local spending has been lowered as a result of this change.

Other adjustments have been relatively small. When data for the states are released, it is expected that California will still account for approximately 12.4 percent of the Nation's personal income as of 1985.

Wages and Salaries

Wages and salaries account for approximately 62 percent of all personal income. As a result, changes in this component generally determine the overall change in income for a year. 1985 was no exception. Wages and salaries rose by 8.7 percent to $247.3 billion, reflecting an employment increase of 4 percent and an average wage gain of 4.5 percent. The gain in average wages appears to have been slightly higher than that in the rest of the country.

TABLE III-1
INDUSTRY DISTRIBUTION AND AVERAGE WAGES, 1985

	Employment share			
	California	*United States*	*Average wage*	*Percent change, 1985*
Mining	0.4	1.0	$34,433	1.5
Construction	4.5	4.6	24,972	2.4
Manufacturing	19.0	20.6	25,360	5.8
Transportation-utilities	5.2	5.5	26,777	3.4
Trade	23.9	23.4	15,554	4.3
Finance-insurance-real estate	6.6	6.0	23,676	7.1
Services	24.1	22.0	19,502	4.8
Government	16.3	16.9	22,667	6.4
Federal	3.1	3.0	25,519	3.8
State and local	13.2	13.9	22,050	7.1

Source: California Department of Finance. Calculated from ES-202 data provided by the California Employment Development Department for the first three quarters of 1984 and 1985.

A major factor in wage gains recently has been the declining rate of inflation. With increases in the consumer price index running between 3.5 percent and 5 percent, wage increases have been significantly lower than in the past. Other influences have included contract concessions negotiated to preserve jobs: for instance, job sharing in the electronics industry; two-tier wage agreements which call for lower wages for new entrants; and declining rates of unionization in the overall labor force.

Analysis of wage data for California is complicated by the fact that quarter-to-quarter changes tend to be somewhat erratic, with unexplained surges and contractions. These may be due in part to unusual seasonal influences which are beyond the adjustment ability of the usual analytic programs. There may also be unusual payment patterns incorporated in the basic reports from employers on wage payments—patterns which are smoothed out when the national estimates are prepared. Because of these factors, changes from one quarter to the next are less reliable indicators than year-over-year comparisons or annual average data.

Other Labor Income

Other labor income represents largely selected fringe benefits. The largest component is group life insurance and health plans, which account for nearly one-half of such income. Employer contributions to private pension plans represent another 38 percent, with workers' compensation claiming 14 percent. This component does not include the broad spectrum on other fringe benefits which have been the subject of debate for tax purposes in recent months.

In general, other labor income rises slightly faster than total wages and salaries, reflecting the increasing importance placed on fringes in recent decades. The fact that fringe benefits have not been subject to taxation, while wages are, has made them popular as a means of increasing take-home pay by a percentage greater than the cost of the benefit to the employer.

Recent efforts to extend taxation to various fringe benefits may lessen their desirability in the future.

In 1985, other labor income was up by an estimated 9.8 percent to $26 billion. In 1960, this income component accounted for only 2.5 percent of all personal income. As of last year its share had increased to 6.5 percent. There are obvious limits to this trend—limits which tax changes and the desire for greater cash income may impose sooner rather than later.

Figure III - 1
Growth in Income:
California and United States

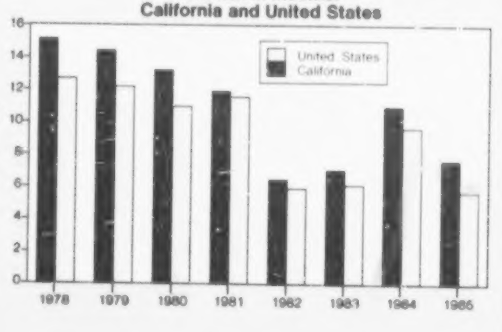


TABLE III-2
PERSONAL INCOME IN CALIFORNIA, 1985
(Dollar amounts in billions)

	Amount	*Percent change*
Total	$399.8	7.7
Wages and salaries	247.3	8.7
Other labor income	26.0	9.8
Proprietors' income	15.7	8.6
Farm	2.1	−8.4
Nonfarm	13.6	11.7
Interest	56.6	4.4
Dividends	10.0	6.9
Rents	11.9	10.5
Transfer payments	51.6	7.4
Less: Contributions for social insurance	19.3	14.6
Residence adjustment	.1	—

Source: U.S. Department of Commerce, Bureau of Economic Analysis (1984). California Department of Finance (1985 estimate).

Farm Proprietors

The past year was not particularly good for farmers. Low crop prices, a weak export market, changing consumer preferences, comparatively high interest rates and a heavy debt overhang led to many losses and even bankruptcies. Despite this, California farmers were in a somewhat better situation than proprietors in other parts of the Nation.

Preliminary data on cash farm receipts, for instance, indicate a fractional gain from 1984 to 1985. With production expenses rising, however, it appears that income overall was slightly lower.

The situation was undoubtedly mixed, however, with part of the industry experiencing losses and part gains. Furthermore, there is no data available on the extent of tax shelter operations, which artificially depress income statistics.

On balance, it is estimated that farm proprietors' income was down 8.4 percent last year, to $2.1 billion.

Nonfarm Proprietors

The situation with respect to nonfarm proprietors was far better. Income rose to $13.6 billion, a gain of 11.7 percent.

Nonfarm proprietors are heavily weighted toward trade, service and construction activities. These three sectors account for three-fourths of this component. There is always a considerable amount of turnover in these sectors. Nevertheless, they were among the strongest in California in 1985.

As is the case with other income components, the data for nonfarm proprietors' income has not yet been revised to the latest BEA benchmark. It is anticipated that the revision will be substantial in the State, however, considering that the national series has been revised upward by approximately 50 percent.

Interest

Interest has generally been one of the faster growing components of income. This situation did not prevail in 1985, however. The rapid decline in interest rates led to an actual drop in interest income between March and September. The rate on Money Market Rate accounts, for instance, fell from over 9 percent at the start of the year to between 6½ and 7 percent by September.

Overall, interest income did manage a modest rise of 4.4 percent in 1985 to reach $56.6 billion.

The decline in interest rates has pointed up the dichotomy associated with interest rate levels. Lower rates obviously benefit producers and consumers by lowering costs.

On the other hand, many individuals have come to depend on interest payments for a significant part of their income, and the decline over the past year to more normal levels has come as something of an unwelcome surprise. Over the longer term, however, the fall in rates should provide a much needed support for continued economic expansion.

Dividends

The strength of corporate profits in 1984 was largely responsible for rising dividends in 1985, even though profits last year were little changed from the year earlier. Dividend income was up nearly 7 percent to $10 billion.

Rental Income

Rental income is a somewhat difficult series to interpret on an aggregate basis, especially considering the roughly 80 percent downward revision by the BEA in the national series. Rent has traditionally contained a large imputed element, which represents the amount which homeowners would have to pay over their mortgage payment to rent a comparable home. The imputation has varied considerably over the years. In 1970 it amounted to approximately three-fourths of all rental income. Current data for 1984 suggests it was down to 34 percent.

The preliminary figure for California is based on national data without adjustment for the benchmark change. These suggest that rental income rose 10.5 percent last year to $11.9 billion.

Transfer Payments

The growth in transfer payments has been sharply slowed recently with the containment of inflation. For all of 1985 it appears that transfer payments rose by 7.4 percent, to $51.6 billion.

The major components of transfer payments are shown in Table III-3.

The level of transfer payments will rise when new data are released. There has been a major conceptual change involving state and local

Figure III - 2
Real Income Growth in California

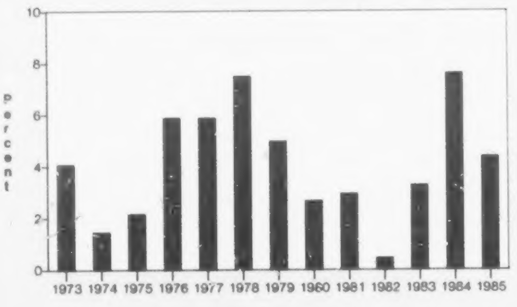


TABLE III-3
TRANSFER PAYMENTS BY COMPONENT
(Dollar amounts in billions)

	1984 (actual)	*1985 (estimate)*	*Percent change, 1985*
Total	$48.1	$51.6	7.4
Social security and medicare	24.2	26.2	7.8
Unemployment insurance	2.0	2.2	9.6
Disability insurance	.9	1.1	24.9
Veterans' benefits	3.7	3.8	1.4
Government pensions	6.4	7.2	11.5
Food stamps	.7	.7	−1.2
Public assistance	6.0	6.1	2.4
All other	4.1	4.5	8.0

Source: U.S. Department of Commerce, Bureau of Economic Analysis (1984) California Department of Finance (1985 estimate)

payments to medical providers under, for instance, the Medi-Cal program. Previously these were considered a state and local purchase. They have now been reclassified as transfer payments to individuals, since the payments are made in the name of the individual. This change alone has increased transfer payments nationally by $33 billion, and can be expected to raise the California series by $3 billion to $4 billion.

Contributions for Social Insurance

Contributions for social insurance, which are netted out of income from all other sources, include primarily employee payments for social security, unemployment insurance and disability insurance. Like other labor income, contributions tend to rise slightly faster than wages and salaries, driven in large part by increasing social security contributions.

For all of 1985, contributions rose a strong 15.1 percent to $19.4 billion. The unusually large rise was due to the combination of an increase in both the social security contribution rate and base on January 1, 1985.

Per Capita Income

Total personal income is obviously one very important measure of the economic performance and potential of a state. Another measure—particularly important in marketing decisions—is per capita income.

California has been among the top states in per capita income since data on this measure were published. The spread between the state and national averages has seen longterm swings, however. During World War II, California's per capita income was approximately 40 percent higher than that of the entire nation. This differential narrowed abruptly to between 25 percent and 30 percent during the late 1940s.

Following that time, other areas of the country began to experience more rapid growth as California was entering a more mature economic environment. The differential in per capita income narrowed more or less steadily until 1973, when it reached a low point of 9.7 percent. At that time it stabilized and actually began to rise slightly. In 1984, per capita income in the State was 13.3 percent above the national figure. It is estimated that this difference increased slightly in 1985.

There is a substantial variation among the counties in terms of per capita income. California has two of the highest income counties in the entire nation: Marin and San Mateo.

In general, the suburban counties rank highest in the State. These are followed by the more densely populated urban areas, the central valley metropolitan areas, and, finally, the more outlying resource counties. The last group is held back by the high degree of seasonality in economic activity, the lack of a broad economic base and an over dependence on only one or two commodities which are subject to sharp fluctuations in price and demand.

Table III-4 illustrates the wide variation in per capita income within California as of 1983.

Outlook

The latest forecast on California's personal income was prepared during March. It incorporates actual data on wages and salaries and various other components through the third quarter of 1985. No attempt has been made to include benchmark changes which will be received next summer, even though the general magnitude of many of these changes can be estimated.

Economic activity in the State appears to be doing at least as well as that for the Nation as a whole, as indicated by relative employment gains, retail sales and housing activity, to cite three key indicators. Inflation remains under control. Confidence in the outlook is widespread.

It is estimated that personal income will rise by 7.3 percent in 1986 to $429 billion, with the strongest gains in wages and salaries, rental income and proprietors' income. The outlook for 1987 is far more tenuous, given the many uncertainties which exist after the current year. Assuming continued growth and moderate inflation, however, income can be expected to rise another 7.2 percent to $460 billion. (All these figures will be revised significantly next fall when data from the new benchmark are received.)

Per capita income should increase nearly 5 percent to slightly more than $16,000. At this level California would still rank fourth or fifth in the Nation in terms of per capita income.

TABLE III-4
PER CAPITA FOR CALIFORNIA COUNTIES, 1983*

Marin	$20,085	El Dorado	10,809
San Mateo	18,053	San Bernardino	10,723
San Francisco	16,981	Stanislaus	10,687
Santa Clara	15,853	Amador	10,439
Contra Costa	15,785	Mendocino	10,234
Orange	15,250	Humboldt	10,155
Napa	14,127	Lake	10,131
Alameda	13,971	Mono	10,123
Santa Barbara	13,843	Mariposa	10,090
Colusa	13,756	Madera	9,814
Los Angeles	13,417	Shasta	9,744
CALIFORNIA	13,256	Merced	9,730
Sonoma	13,229	San Benito	9,668
Monterey	12,845	Nevada	9,612
Ventura	12,796	Sierra	9,564
San Diego	12,272	Plumas	9,484
Santa Cruz	12,174	Butte	9,474
Placer	11,839	Tulare	9,451
Riverside	11,816	Modoc	9,397
Sacramento	11,804	Imperial	9,330
Glenn	11,762	Siskiyou	9,326
Solano	11,760	Kings	9,285
UNITED STATES	11,690	Tehama	9,229
San Luis Obispo	11,508	Tuolumne	9,199
Yolo	11,275	Lassen	9,033
Inyo	11,091	Alpine	8,923
Sutter	10,940	Del Norte	8,797
Fresno	10,922	Yuba	8,777
San Joaquin	10,906	Calaveras	8,417
Kern	10,848	Trinity	8,379

Note: Data for 1984 will be available during May, and can be obtained on request from the California Department of Finance

Source: U.S. Department of Commerce, Bureau of Economic Analysis

TABLE III-5
PERSONAL INCOME IN CALIFORNIA, 1986 AND 1987

	1986		1987	
	Billions	Percent change	Billions	Percent change
Total	$428.9	7.3	$460.0	7.2
Wages and salaries	268.4	8.5	289.3	7.8
Other labor income	28.8	10.5	31.7	10.2
Proprietors' income	17.5	11.8	19.3	10.4
Farm	2.2	7.8	2.4	7.1
Nonfarm	15.3	12.4	16.9	10.9
Interest	56.4	−0.4	58.8	4.3
Dividends	11.0	9.8	12.7	16.2
Rents	14.2	19.2	14.9	5.2
Transfer payments	54.2	5.0	56.6	4.4
Less: Contributions for social insurance	21.6	11.3	23.4	8.6

Source: California Department of Finance

IV. Inflation

Perhaps the brightest aspect of the current expansion so far has been the sustained improvement in the rate of inflation. Earlier fears that gains in economic activity would place strains on resources, lead to higher interest rates, require restrictive monetary policy and promote a renewed surge in inflation have not materialized.

The broadest measure of inflation in the nation is the gross national product deflator. This series reflects price trends not only in personal consumption, but investment and government spending. It was up 3.2 percent in 1985.

Far more use is made of the consumer price index (CPI), however. CPI data are built into labor agreements, leasing arrangements and rental contracts, for instance, and are critical in many informal wages or salary adjustments.

Overall, the consumer price index for the U.S. increased 3.6 percent in 1985. The CPI for California was up slightly more—4.6 percent. It should be noted that indices for individual areas are subject to somewhat erratic movements from time to time, and that percent changes should not be taken as a precise measure of inflation in a region.

Restraint has been most evident in prices of goods, which were up 2.1 percent nationally and between 1.7 percent and 2.5 percent in the three areas surveyed in California. As might be expected, given the farm crisis in many parts of the country, food prices were a major factor in holding down the consumer price index. They rose 2.3 percent for the entire U.S., the second smallest gain in 14 years.

The improvement in home fuels was also notable in most areas. This component has been among the faster gainers in prior years.

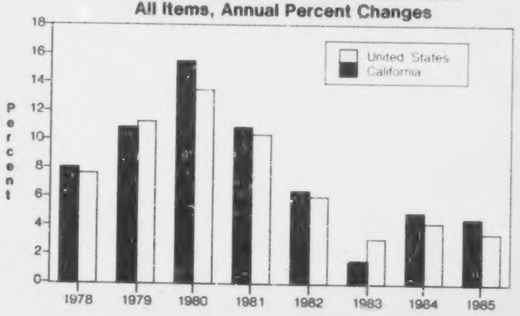
Clothing and household durables have always shown moderate increases, and the past year was no exception. Transportation costs were somewhat mixed. New car prices were up 3.2 percent nationally—a gain which is probably representative of trends in California as well. Gasoline costs, in contrast, rose very little—less than 1 percent in the U.S. and the Los Angeles and San Francisco areas.

Stronger price pressures continued to be felt in services. Even so, there was significant improvement from trends in earlier years. Overall, service prices increased 5.1 percent nationally. Gains in the California metropolitan areas ranged from 6.4 percent in the San Francisco region to 8 percent in San Diego.

Much of the upward pressure in services was due to residential rents. Services excluding rents showed far more moderation, reflecting the gradual containment in the more rapidly increasing components. Medical services, for instance, illustrate the improvement

Figure IV - 1

California and U.S. Consumer Price Index
All Items, Annual Percent Changes



which has been achieved. As recently as 1982, the medical services index was rising at a nearly 12 percent pace. Last year it was up only 6.2 percent nationally, with gains in the State ranging from a low of 3.7 percent in San Diego to a high of 7.3 percent in Los Angeles. Industry analysts suggest that this degree of containment has been achieved by greater competition among medical providers for a smaller client base (illustrated, for example, by shorter hospital stays), cost containment in the wide variety of goods and services used in the medical area, and expanded efforts by insurers to hold costs in line.

Tables IV-1 and IV-2 summarize price trends in 1985.

TABLE IV-1
TRENDS IN THE CONSUMER PRICE INDEX, 1985
(Percent changes)

	U.S.	*Los Angeles*	*San Francisco*	*San Diego*
All items	3.6	4.6	4.2	5.4
Food and beverages	2.3	2.4	2.1	2.2
Food	2.3	2.3	2.0	2.0
Housing	4.0	5.6	6.4	8.3
Shelter	5.6	7.0	8.1	11.8
Residential rent	6.1	8.1	8.1	10.8
Fuel and other utilities	1.6	3.0	4.7	−0.9
Household furnishings and operation	1.9	2.4	2.4	3.2
Apparel and upkeep	2.9	3.7	−1.0	2.0
Transportation	2.6	3.6	1.7	3.6
Private	2.5	3.1	1.6	3.5
New cars	3.2	–	–	–
Gasoline	0.8	0.4	0.4	1.5
Public	4.6	13.4	2.4	6.4
Medical care	6.2	7.3	5.8	3.7
Entertainment	3.9	4.2	5.6	4.2
Other goods and services	6.1	7.9	7.6	6.8
Special indices				
Commodities	2.1	2.2	1.7	2.5
Commodities less food and beverages	2.0	2.0	1.4	2.7
Services	5.1	6.8	6.4	8.0
Services less rent	4.6	6.6	4.8	3.8

Source: U.S. Bureau of Labor Statistics

TABLE IV-2
MONTHLY TRENDS IN THE CONSUMER PRICE INDEX, 1985
(Percent change from same month, prior year)

	U.S.	*California*	*Los Angeles*	*San Francisco*	*San Diego*
January	3.6	–	4.6	–	5.2
February	3.5	4.9	4.6	5.5	–
March	3.7	–	4.7	–	5.7
April	3.7	4.5	4.3	4.4	–
May	3.7	–	4.5	–	5.4
June	3.7	4.6	4.5	4.5	–
July	3.6	–	5.0	–	6.1
August	3.4	4.8	5.0	3.8	–
September	3.2	–	4.4	–	5.7
October	3.2	4.3	4.6	2.8	–
November	3.6	–	4.3	–	4.2
December	3.8	4.4	4.8	3.3	–

Source: U.S. Bureau of Labor Statistics, California Department of Industrial Relations (California index)

Index Changes

The Bureau of Labor Statistics plans to introduce several changes in the consumer price index at the start of 1987. Price surveys will be expanded, for instance. The San Francisco-Oakland area will be increased to cover 11 counties. Ventura, San Bernardino and Riverside will be included in the Los Angeles area. Sacramento, El Dorado, Placer, Yolo and Shasta counties will be added to the list of survey areas for the Western CPI, while San Benito, Monterey and Kern counties will be dropped. When these changes are in place, California will account for approximately 80 percent of the CPI for the Far West, as opposed to 65 percent presently. Finally, the CPI for the West will be reported monthly rather than bimonthly as at present, which may make it a useful index for analysis.

The San Diego CPI, now available bimonthly, will be changed to a semi-annual basis, with indices for May and November. Agreements which use the San Diego CPI as an escalation factor may have to be modified as a result, perhaps shifting to the Los Angeles index or the even broader measure for the U.S.

No decision has been made yet on how the overall California index will be modified. Presumably, San Diego, which accounts for approximately 10 percent of the California CPI, will be eliminated. Since its weight is relatively small, however, its exclusion would not be critical.

A longer range project involving updated weights and a more recent base year has been postponed indefinitely because of budget contraints.

Deflator Trends

As noted earlier, the GNP deflator was up a moderate 3.3 percent last year. Data on major components indicate the divergent trends which exist. The fastest increases appear to be in the government sector, which is largely influenced by wage costs. The slowest gains are in business investment. Earlier concerns that the rapid pace of expansion since 1983 would heat up inflation have not materialized.

Table IV-3 shows the broad inflation trend by sector for 1985. The changes are based on the revised data released at the end of last year.

TABLE IV-3
TRENDS IN THE GNP DEFLATORS
(Percent changes)

	1985	*4th quarter 1984–4th quarter 1985*
Gross national product	3.3	3.1
Personal consumption expenditures	3.2	3.2
Durable goods	0.7	0.2
Nondurable goods	2.3	2.3
Services	4.7	4.6
Nonresidential business investment	1.4	1.1
Structures	3.5	2.6
Producers' durable equipment	0.4	0.4
Residential investment	1.9	1.7
Government	4.4	3.9
Federal	3.0	1.8
Defense	3.3	3.7
Nondefense	3.1	−2.6
State and local	5.6	5.8

Source: U.S. Department of Commerce, Bureau of Economic Analysis

The Outlook for Inflation

The outlook for inflation revolves around three primary factors: oil prices, recent growth in the money supply and the decline in the value of the U.S. dollar.

Oil Prices. Oil price trends have been the most dramatic since last November. There had been a decline of 60 percent in crude prices between mid-November and mid-March: from $30 per barrel to approximately $12 per barrel. Overproduction, particularly on the part of OPEC countries, and mild weather combined to increase supply and reduce demand. The result was a free fall in prices, with some authorities predicting that crude oil could even settle as low as $10 a barrel.

Lower oil prices are expected to have a positive effect in stimulating those European nations which are still experiencing sluggish growth. Their effects on the U.S. are mixed. The fact that petroleum products are an integral factor in a diverse range of sectors implies that production costs will be lowered. This is likely to hold down price increases which would normally be expected.

Gasoline prices have already fallen significantly. In this case, however, the consumer may not see the full impact of lower oil prices. There have been suggestions that dealers may choose to improve their margins to increase profitability. Even so, a 25 percent decline in gasoline prices is certainly possible.

Not every sector is benefiting from the situation, however. Capital expenditures for exploration and drilling have been sharply reduced. This has particularly affected Kern County, which is the major petroleum producing county in the State. A broad range of industries will see their business curtailed as a result. Even financial institutions are affected, with the possibility of an increase in nonperforming loans.

The impact of this situation on prices will be favorable for the consumer. Inflation forecasts have been lowered over the past four months as crude prices continued to decline.

Lower oil prices are not expected to continue indefinitely, however. The current disarray among producers may be resolved over time, which could lead to a reversal of the recent trend, with prices recovering a significant part of their drop. This situation is not expected to occur until mid-1987 at the earliest, and therefore does not impact the inflation forecast given here.

Growth in the Money Supply. There have been concerns that the rapid growth in the money supply would lead to a sharp acceleration in inflation in coming quarters. The narrowly-defined money supply—M1—has been growing at a better-than-10 percent rate for some time.

There are a number of reasons offered for the surge in M1. These include attempts by the Federal Reserve Board to stimulate the national economy after sluggish growth was reported for early 1985, and the desire to accommodate the federal deficit and thereby avoid a run-up in interest rates. Other explanations have included a variety of factors, ranging from financing of the foreign trade deficit to the large number of mergers and acquisitions which have been undertaken.

The key to the impact of growth in the money supply is velocity, which may be described very briefly as the number of times the money supply turns over in a year. The traditional equation is:

Real gross national
product × Price =
Money × Velocity.

The equation is an identity: real activity (real gross national product) times a price factor (the GNP deflator) will equal money times velocity. If velocity is constant, an increase in money must be reflected in higher output in nominal terms. With real activity generally expected to be up between 3 percent and 4 percent, a 10 percent growth in the money supply would imply a sharp acceleration in the price factor to a 6 or 7 percent rate of increase.

The behavior of velocity has been of particular interest lately, however. It has not remained constant, or even followed its earlier long term trend of a gradual increase. It has fallen. M1 velocity, or gross national product divided by M1, declined 5.6 percent over the last four quarters. M2 velocity (GNP divided by M2) has also declined, but by a smaller percentage: 2.9 percent.

There have been a number of explanations offered for this somewhat unusual situation. It may be, for instance, that the net export imbalance is absorbing a significant part of the growth in the money supply. The funds which enter international markets in this manner return as financial investments, which are not reflected in the GNP accounts.

Another argument is that the dramatic decline in interest rates has discouraged individuals and business from moving funds into M2 accounts which have traditionally paid higher interest. There is some substantiation for this argument. M2 has experienced a slower rate of growth than has M1 in recent months.

Whatever the reason, as long as velocity continues to decline or if real growth surges, price rises will be moderate. If there are significant changes in the uses of funds, however, inflation could well heat up.

The Value of the Dollar. The last factor also leads to a slight upturn in inflation: the value of the U.S. dollar. As is noted in the later section on Foreign Trade, the dollar has depreciated by more than 30 percent against other major currencies. This has already led to some price increases on imports, and more are expected. Given the wide range of imported products in consumer purchases, this factor could lead to some upward pressures. The impact will be tempered, however, by the fact that domestic commodities and services account for such a large part of the consumer price index.

Measures of Inflation. The inflation forecasts which follow were developed in March under the assumption that the money supply would increase approximately 8 percent between the fourth quarter 1985 and fourth quarter 1986, with a further 6.7 percent growth in 1987. Imported oil prices were taken down to an average $15 per barrel and stabilized at that point. Housing activity, which also enters into the inflation forecasting procedure, was assumed to remain strong through 1986, with a slight drop next year.

The impact of declining oil prices and interest rates has complicated the forecast. Each has an influence on a broad range of activities, and can affect pricing decisions in other sectors. The changes which have occurred in recent months have been so substantial that interactions among the various components of the consumer price index may differ from those suggested by historical relationships.

TABLE IV-4
INFLATION IN 1986 AND 1987
(Percent change)

	1986	*1987*
GNP deflator		
Total	2.4	2.5
Personal consumption expenditures	2.1	2.8
Business fixed investment	2.0	0.8
Residential investment	2.6	1.6
Government purchases	3.5	3.7
State and local purchases	4.3	4.6
Consumer price index		
United States	2.2	3.1
California	3.3	4.4
San Francisco-Oakland	2.7	4.1
Los Angeles	3.5	4.3
San Diego	3.4	5.3

Source: California Department of Finance

V. Retail Trade

Retail trade reflected the overall economy in 1985. Gains were moderate in general, reflecting the slower rate of growth in both income and employment. In real terms, however, sales continued to rise strongly as price increases for commodities were low.

There are two sources for trade data. The U.S. Bureau of the Census bases its monthly series on sample reports from retailers around the nation. The series covers both goods and retail services. Information is not available, however, on sales by major category. The second source is the California Board of Equalization. The Board receives data quarterly on all sales subject to the sales and use tax. These are published by type of store, which permits analysis of the performance of individual sectors. The major omissions from the Board's series are food, prescription drugs and services, none of which are taxable.

The data from these sources may indicate somewhat different trends. For 1985, for instance, the Bureau of the Census series indicates that total retail trade was up 8.6 percent to $169 billion. Information on taxable sales from the California Board of Equalization shows a significantly smaller gain, with the retail component up 7.2 percent. The increase for total taxable sales, which includes business transactions at the wholesale level for final consumption, were up 7.5 percent.

Data from the Board of Equalization indicate divergent trends from one sector to another. As would be expected, new car sales were unusually strong, reflecting the interest rate and price incentives offered by manufacturers during the second half of last year. The Department of Motor Vehicles registered 1,273,000 new cars in 1985, a 7.1 percent increase from the total for 1984. The value of automotive sales was up more than 12 percent to $21.7 billion, according to data from the Board relating to new automotive dealers.

Other areas of strength were related to the housing boom. Sales of lumber and building materials increased 14.9 percent, almost twice the gain for all taxable retail sales. Appliance and furniture sales, which are also influenced by housing activity, were up only moderately. Since these sectors have experienced only small price increases, however, most of the indicated growth reflected real gains.

Excluding new cars, lumber and building materials, retail sales were up 5.8 percent—a modest performance consistent with the somewhat sluggish situation which existed na-

TABLE V-1
RETAIL TRADE BY CATEGORY
(In millions)

	1985	*Percent change*
Bureau of the Census		
Total retail trade	$169,000	8.6
California Board of Equalization		
Total taxable sales	$208,574	7.5
Retail	135,901	7.2
General merchandise stores	21,867	7.8
Apparel stores	6,532	7.0
Specialty stores	15,636	6.8
Eating and drinking group	17,221	7.4
Food and liquor stores	14,382	4.5
Home furnishings, appliances	6,676	7.0
Building material group	9,084	10,9
Farm equipment	2,545	1.6
Automotive group	41,958	7.7
New car dealers	21,743	12.8
Gasoline service stations	14,163	1.7
Nonretail	72,673	8.0

tionally for much of 1985.

The areas of slow growth were gasoline service stations, farm equipment dealers and liquor stores. The softness for service stations reflects price declines not offset by the small (1.9%) increase in gallonage. The farm equipment situation can be related directly to the problems facing agriculture in California as elsewhere in the nation. The weakness for liquor stores may well reflect changes in consumption patterns.

Regional Trends

There are some interesting differences apparent in county data for taxable sales. Usually population distribution and sales distribution are similar. There are exceptions, however. Orange County, for instance, accounts for 8.1 percent of the state's population, but approximately 9.7 percent of taxable sales. In this instance, the difference can be attributed to tourism factors and commuting patterns from neighboring counties. San Francisco shows a similar situation.

Growth in 1985 varied considerably from one county to the next. Data for the top 23 counties, which account for approximately 70 percent of the state's population, have been used to highlight comparative growth trends. From these it appears that faster growth is achieved in the outlying, suburban counties including San Bernardino, Riverside, Sacramento, Solano, and San Luis Obispo, which are benefiting from the spillover effect from more densely populated urban areas.

Overall economic conditions also play an important role. The Central Valley counties highly dependent on agriculture—counties such as Fresno, Kern and San Joaquin—have seen relatively sluggish sales. Santa Clara County, undergoing adjustment problems in the electronics industry, has seen a growth rate below 2 percent.

The data in Table V-2 contrast growth in sales for selected counties.

TABLE V-2
SALES TRENDS FOR SELECTED COUNTIES, 1985

	Percent of population July 1, 1985	*Percent of all taxable sales*		*Growth in sales, Jan–Sept. 1985*
		1984	*Jan–Sept. 1985*	
Los Angeles	30.7	29.6	29.6	5.2
Orange	8.1	9.6	9.7	9.9
San Diego	8.1	7.1	7.3	13.0
San Bernardino	4.1	3.1	3.3	15.3
Riverside	3.1	2.5	2.6	12.3
Ventura	2.3	1.8	1.8	9.0
Santa Barbara	1.3	1.2	1.2	7.1
San Luis Obispo	0.7	0.6	0.6	10.0
San Francisco	2.8	3.4	3.2	3.2
Santa Clara	5.3	7.0	6.7	1.6
San Mateo	2.3	3.0	3.0	6.5
Marin	0.9	0.9	0.9	6.2
Alameda	4.5	4.7	4.8	8.3
Contra Costa	2.7	2.5	2.5	7.4
Sonoma	1.3	1.2	1.2	7.3
Solano	1.0	0.7	0.7	10.8
Napa	0.4	0.3	0.3	5.0
Monterey	1.3	1.0	1.0	7.4
Santa Cruz	0.8	0.6	0.6	5.6
Sacramento	3.4	3.3	3.4	12.8
San Joaquin	1.6	1.3	1.3	5.4
Fresno	2.2	2.0	1.9	3.4
Kern	1.8	1.9	1.8	2.2

Source: California Board of Equalization.

Consumer Credit

The sustained increase in retail sales over the past three years has led to a sharp rise in consumer debt. At the trough of the 1981–82 recession, consumer debt amounted to just under 12 percent of total personal income nationally. By the end of 1985 this ratio had reached a new high of 16 percent. Data are not available specifically for California. Given the diversity of the State, however, it is reasonable to conclude that national data are also indicative of the situation for California consumers.

Consumer debt measures installment credit. Home mortgages are excluded, as are balances which must be repaid within 30 days. Much of the increase in recent months has been due to auto loans. The entire amount of the loan and interest over the life of the loan is included in the credit figures. The fact that auto loans have been stretched to four and five years from the three and four year terms available earlier in the expansion has resulted in more interest being payable over the life of the loan.

This methodology has contributed to the strong rise in credit and the surge in the credit-to-income ratio.

Another element is the increasing use of revolving credit. The Federal Reserve System, which compiles credit data, estimates that more than 40 percent of all credit card holders pay off their balances in full each month, even though they have the option of extended payments. In effect, this is convenience credit, which continues to grow strongly.

More meaningful debt-to-income ratios exclude all or part of revolving credit to eliminate this problem. Excluding all revolving credit, debt ratios have increased from 9.6 percent of income to 12.5 percent over the past three years.

An increase in consumer debt is expected during the course of an economic recovery. The expansion in the current cycle has been greater than usual, however, due at least in part to the massive working down of debt after the Federal Reserve's imposition of credit controls in the first half of 1980. At the time, there was some thought that consumer debt levels would be permanently lowered. It now appears that the reduction was a temporary adjustment in response to an exogenous shock. The run-up in debt may therefore be viewed as a return to the longterm trend, which has been toward successively higher peaks in each business cycle.

These peaks, which are shown in Figure V-1, complicate analysis. At some point the consumer can be expected to retrench and work down debt levels. Typically, this leads to a period of slow growth or even recession. Concerns have already been expressed about the consumer possibly being overextended. To the extent that this is, in fact, the situation, sales gains in the future will be harder to come by. Unfortunately, there is no way of knowing when the effective debt limit will be reached.

Another consideration presented on occasion concerns the increasing value of assets held by consumers. It has been suggested, for instance, that the increase in the value of stocks on equity markets substantially reduces the importance of debt ratios. Consumers, in effect, have increased their wealth position and can therefore support a higher level of spending than income would justify. Home prices are also cited as contributing to this position.

Several objections can be raised with respect to this analysis, however. Higher asset values which remain on paper do not lead to a major increase in effective demand. With respect to housing, for instance, higher value will be realized only by sale, or equity loans. These are major actions which are not likely to be undertaken by the average consumer.

With respect to equity markets, the primary beneficiaries of recent advances have been major institutional investors. Individuals with major gains are likely to be longterm investors who do not base purchasing decisions on the value of their portfolios. Furthermore, the number of individuals in such situations is small in relation to the total number of consumers in the country.

Overall, the critical issue is undoubtedly the level of monthly payments and job stability. As long as monthly payments on outstanding debt can be met, and the individual is assured of continued employment, debt ratios will not be a negative factor. Developments should be monitored closely over the next year, however, since changes can occur rapidly.

Outlook

It is assumed in the forecasts given in this report that the consumer has room for further expansion, and that debt levels will not be a deterrent to sales through 1987. Other factors have a stronger bearing on sales. The recent declines in interest rates, for instance, should be reflected in a higher rate of home sales, and additional spending for durables related to home purchases. There is the possibility that low interest incentives will again be offered in the auto industry to stimulate sales.

Other considerations involve the overall favorable economic situation, despite reports of slower-than-expected growth in recent months. Confidence remains high. Unemployment is still on a downtrend, and job creation remains good. Inflation is under control. In this environment, the consumer should be a major source of strength throughout the year.

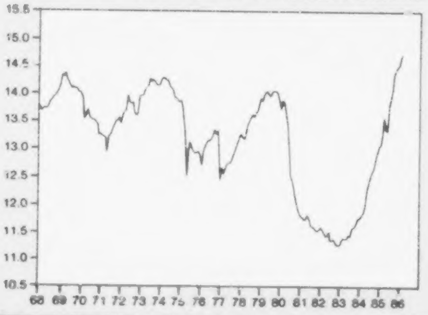
The forecast of retail sales in California was prepared in April for the May Revision of Revenues and Expenditures. It incorporates recent information suggesting that sales have been somewhat lackluster for the end of 1985 and first part of 1986. Some strengthening is expected from the second quarter on, however.

Taxable sales are expected to be up about 6 percent in 1986, and nearly 9 percent in 1987. Continued moderation in prices is likely, so that real gains will also be substantial.

The greatest gains are forecast for restaurants, stores benefiting from homebuilding which is expected to remain strong, and auto dealers. New car sales are projected at 1,265,000 for 1986, with tapering to 1,272,000 for 1987. Sluggish activity is likely for many other sectors, however, reflecting uncertainty about the eventual path of the economy for the rest of the decade.

FIGURE V-1

CONSUMER CREDIT EXCLUDING REVOLVING CREDIT PERCENT OF DISPOSABLE PERSONAL INCOME



VI. Construction

Strength in the construction sector provided a major stimulus for the economy throughout 1985. Declining interest rates, speculation about tax law changes, and the low rate of inflation led to increased levels of activity. Housing unit authorizations gained 21 percent. Nonresidential valuation rose 11 percent. As a result, construction employment was up 10.6 percent, reflecting the creation of 47,400 new jobs.

Residential Activity

Housing construction activity in 1985 exceeded all predictions, exhibiting its best performance in eight years. The number of housing units authorized totaled 263,682—the highest since 1977. The first half of the year saw authorizations at a 237,000 rate. This accelerated to a better-than-275,000 rate during the second half.

The Impact of Multiple Units

The surge in apartment house construction the past two years is consistent with building patterns during past economic expansions. Construction of multi-family units is sensitive to changes in interest rates and the availability of funding for construction projects. Unemployment and vacancy rates are also major factors. As a result, the sector is highly pro-cyclical. During periods of economic expansion multi-family unit construction typically increases more than that for singles. Similarly, when the economy is in a slump, multiple unit activity falls off more sharply than single dwelling unit production.

Cyclical trends weren't the only factors contributing to the surge in multi-unit construction, however. On September 12 last year a new regulation relating to handicapped access became effective. This requires builders to provide for equal access of handicapped persons on accessible levels of all apartment houses with five or more units. As might be expected, builders took out an exceptionally large number of permits in the weeks immediately preceding the effective

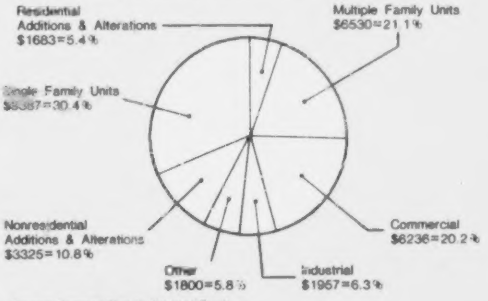
TABLE VI-1
NEW RESIDENTIAL CONSTRUCTION IN CALIFORNIA

Numer of Permits Authorized	*1983*	*1984*	*1985*
Total Units	168,358	218,007	263,682
Single dwelling units	99,299	107,346	109,809
Multiple dwelling units	69,059	110,661	153,873
Value of Permits Authorized (in millions)			
Total Units	$11,511.1	$14,514.3	$17,599.2
Single dwelling units	7,160.4	8,372.3	9,386.5
Multiple dwelling units	2,858.1	4,574.1	6,530.1
Alterations and additions	1,492.6	1,567.9	1,682.6

Source: Security Pacific National Bank

Figure VI - 1

California Building Permit Authorized Valuations in 1985 (Millions of Dollars, Percent of Total Construction)



Source Security Pacific National Bank

date of the regulation in order to avoid the changes in design which would be required and possible higher costs.

TABLE VI-2
DISTRIBUTION OF RESIDENTIAL CONSTRUCTION PERMITS
(Percent of Total Permits Authorized)

	1981	*1982*	*1983*	*1984*	*1985*
Total Units	100.0	100.0	100.0	100.0	100.0
Single dwelling units	56.8	59.5	58.9	49.0	41.6
Multiple dwelling units	43.2	40.5	41.1	51.0	58.4

Source: Security Pacific National Bank

Housing authorizations were at a 242,000 rate in July. This jumped to 275,600 in August, and soared to more than 455,000 in September. Initially it was anticipated that the following months would see a pronounced slump such as occurred after the imposition of energy standards in 1978. This time, however, the housing market was apparently so strong that activity for the balance of the year merely returned to recent levels—approximately a 245,000 rate.

There are several other possible reasons why multiple-unit construction grew so strongly during the year. Speculation about tax law changes was undoubtedly a major factor. There was much uncertainty about whether or not federal tax law revisions would limit existing tax shelters or depreciation rates for multi-family units. The possibility of sheltering income through investment in apartments has effectively been promoted in many areas of the State. Such investments have been made even more attractive by low vacancy rates in most metropolitan areas. Regardless of the reason, the fact remains that the large increase in total housing permits in 1985 was due to the tremendous growth in apartment construction.

Only a few counties accounted for most of the residential construction in 1985. Nearly two-thirds of the total number of new units built statewide were in Los Angeles, San Diego, San Bernardino, Orange, Sacramento and Riverside counties.

While these areas continue to account for most of the new construction in the state, due to their large populations, other areas are experiencing stronger growth in percentage terms. The fastest growing county appears to be Solano, which doubled its new construction in 1985. Although Yuba county experienced a 132.4 percent growth in new home construction, the total number of units built only amounted to 337. Sacramento county also experienced tremendous gains, increasing new construction 59.2 percent over the 1984 level.

The growth in Solano and San Bernardino counties reflects the trend toward development of the inland counties where housing is both more available and affordable than in the larger metropolitan areas along the coast. The transportation system allows people to live in the outlying suburbs and still be within a

TABLE VI-3
VACANCY RATES IN SELECTED AREAS, 1985
(Percent)

Area	*Total*	*Single family*		*Multi-family*	*Mobile homes*
		Detached	*Attached*		
Alameda County	1.6	1.1	2.7	2.4	0.8
Anaheim-Santa Ana PMSA	2.1	1.4	3.0	3.0	1.9
Bakersfield MSA	2.9	2.1	5.4	5.2	3.7
Chico MSA	3.5	3.0	2.7	4.3	4.8
Los Angeles-Long Beach PMSA	1.5	1.1	2.2	2.0	1.7
Marin County	1.6	1.2	2.0	2.5	1.3
Modesto MSA	3.0	2.3	4.3	6.1	2.1
Oxnard-Ventura PMSA	1.7	1.3	3.4	2.2	2.1
Redding MSA	3.0	2.8	4.7	4.6	2.0
Riverside-San Bernardino PMSA	4.4	3.3	7.7	8.1	4.2
Sacramento MSA	3.0	2.2	3.4	5.1	1.9
Salinas-Seaside-Monterey MSA	1.3	1.1	1.5	2.0	1.0
San Francisco County	0.7	1.2	0.5	0.8	–
San Jose PMSA	1.6	1.0	2.9	2.6	1.7
San Luis Obispo	2.8	2.1	5.3	4.2	2.4
Santa Barbara-Santa Maria-Lompoc MSA	1.5	1.3	1.9	2.0	0.9
Santa Rosa-Petaluma PMSA	2.7	2.1	5.5	4.6	2.0
Stockton MSA	3.7	1.8	5.5	9.6	2.1
Vallejo-Fairfield-Napa PMSA	2.4	1.9	5.8	4.0	1.8
Visalia-Tulare-Porterville MSA	2.6	2.2	6.0	4.5	2.5

MSA: Metropolitan Statistical Area
PMSA: Primary Metropolitan Statistical Area
Source: Federal Home Loan Bank of San Francisco

reasonable commuting distance of the major urban centers where most of the employment opportunities exist.

The counties immediately surrounding urban centers have experienced tremendous growth rates in terms of home building, due to spillover from the metropolitan areas. Cheaper land prices in these areas have allowed these counties to benefit from increased construction activity. This growth has occurred in the foothill counties, such as Placer and El Dorado, bordering Sacramento, as well as in the Inland Empire counties outside of Los Angeles and in the Northern Wine Country outside the Bay Area.

The number of applications filed for subdivisions is another indicator of residential construction strength. Since land development must precede home construction, subdivision application filings can serve as a leading indicator for home building. Subdivision filings in 1984 were up strongly from the 1983 level, and, indeed, 1985 proved to be an outstanding year for residential construction. In 1985, however, the number of standard subdivision applications fell 10 percent from the year before. This suggests that residential construction in 1986 may well ease back to a more normal, sustainable pace to avoid an over-built situation.

TABLE VI-4
NEW RESIDENTIAL CONSTRUCTION IN THE 10 HIGHEST VOLUME COUNTIES

	Total new units in 1985	*Percent change from 1984*
Los Angeles	53,309	44.3
San Diego	38,272	25.0
Sacramento	22,978	19.8
San Bernardino	18,906	15.1
Riverside	18,318	59.2
Orange	17,408	−14.4
Santa Clara	9,468	30.4
Contra Costa	9,322	45.3
Alameda	7,188	−5.4
Fresno	7,101	3.5

Source: Security Pacific National Bank

Existing Home Sales

Home building, particularly for single family units, tends to move with changes in sales of existing homes. According to the California Association of Realtors, home sales ended 1985 at their highest level in five years. Resale of homes rose to 407,237 for the year, up 6.6 percent from 1984. It appears that activity could have been even stronger if inventories of unsold homes had been higher.

Although it has only been calculated for three years, it is interesting to note that the unsold inventory index which measures the number of months it would take for all currently listed homes to sell given the existing sales volume, reached its lowest value since the index was first calculated. In October 1985 the index registered 8.4 months.

Price Trends

Although overall inflation remained under control during 1985, home prices saw their fastest rate of appreciation since the late 1970s. The statewide median sales price of existing single family homes increased 12.3 percent between December 1984 and December 1985. Average prices in the State have exceeded the national average historically. During 1985 the ratio of the U.S. median home price to California's median home price remained constant compared to 1984. At the end of 1985 the median home price in the State amounted to $123,916, which was $49,116 higher than that for the nation.

Permit values can also be a general indicator of price trends in housing. The average permit valuation of single family units increased 9.6 per-

Figure VI - 2
New Housing Units Authorized
1981 to 1985

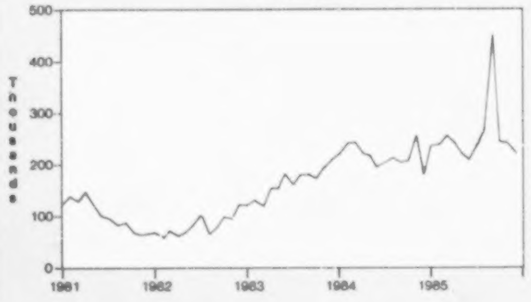


TABLE VI-5
MONTHLY SUBDIVISION APPLICATION FILINGS, 1984 AND 1985

	1984	*1985*
January	179	172
February	300	216
March	319	251
April	280	229
May	282	269
June	304	219
July	257	192
August	300	251
September	202	197
October	245	224
November	222	196
December	192	158

Source: California Department of Real Estate cent between 1984 and 1985, from $77,994 to $85,480. The average permit value for apartment units increased from $41,334 in 1984 to $42,438 in 1985, a 2.7 percent rate of growth.

Average permit values, however, are only a guide to price trends. They do not include land costs, builder profits, or overhead costs, which can raise market value substantially. Furthermore, changes in the type of housing built can alter the apparent cost trend.

The stronger rate of price increase during last year was, at least in part, due to increased demand resulting from lower interest rates. The average commitment rate for conventional new mortgages fell from 13 percent in December 1984 to 11 percent in December 1985. Although home prices have increased, this decline in interest rates has actually made housing more affordable. The increase in price has been moderate in relation to the drop in interest rates, making it possible to purchase a home with lower monthly payments than for a comparable house a year ago.

TABLE VI-6
MEDIAN EXISTING HOME SALES PRICE

Region	*December 1985*	*December 1984*	*Percent change*
California	$123,913	$110,305	12.3
San Francisco Bay Area	146,451	131,153	11.7
Orange County	144,154	129,647	11.2
Santa Barbara	137,894	133,999	2.9
Monterey	134,347	116,570	15.3
Los Angeles Area	120,682	112,962	6.8
Ventura Area	n.a.	118,764	–
San Diego	108,201	101,643	6.5
Northern Wine Country	93,666	n.a.	–
Riverside/San Bernardino	88,563	84,300	5.1
Sacramento	n.a.	74,220	–
Central Valley	n.a.	71,473	–
Northern California	62,692	58,570	7.0

n.a. Not available
Source: California Association of Realtors

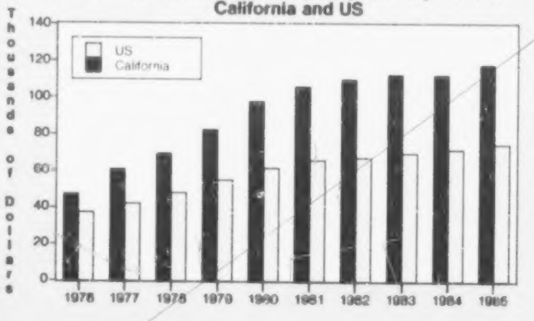
Regional Differences

As one might expect, median home prices vary quite widely among various regions. The San Francisco Bay Area has taken over the lead from Santa Barbara as the region with the highest median sales price. The price in December for the San Francisco Bay Area was $146,451. The lowest home prices, in contrast, were found in the Northern California region, with a median price of $62,692. The four areas with the lowest median home prices were Riverside/San Bernardino, Sacramento, the Central Valley, and Northern California.

Condominiums and Townhomes

Condominium and townhome development has become an increasingly more important part of the residential construction scene for a number of reasons. The cost aspect is paramount. The higher density of multiple unit complexes results in a significantly lower cost per unit.

Figure VI - 3
Median Sales Price Existing Single Family Homes: California and US



Beyond this, however, there are a number of other advantages. In many developments units can be purchased with a down payment as low as 2 percent of the price. With the tax benefits from mortgage interest deductions, the purchase of a condominium has become a viable alternative to both the purchase of a single family detached home and renting. The latter may become even more important in the coming year as residential rents appear to be rising strongly in the major metropolitan areas of the State.

Manufactured Housing

The purchase of a manufactured home, or mobile home, is another relatively low-cost alternative to renting for those who cannot afford a conventional single family home. California has seen a resurgence for the last three years in the demand for mobile homes. Production of manufactured housing peaked in the early 1970's then continued to fall off until 1983 when activity started to make a comeback.

Mobile home construction might have seen even more growth if it were not for the shortage of mobile home parks. In the recent past the lack of parks has been a barrier to the sale of mobile homes. Some local governments have been reluctant to encourage their development. New concepts that improve upon the aesthetics and management of mobile home parks have begun to make manufactured housing more appealing. These advances increase the potential for this kind of unit to satisfy more of the need for low-cost housing.

The Outlook for Housing

The housing market in 1986 is expected to continue strong, even after the enthusiastic pace of last year. Some of the pent-up demand that existed prior to 1985 can be absorbed, especially if interest rates continue to fall. However, if housing construction continues to expand at the pace exhibited last year, California could experience a surplus of housing in the future. A gradual slowing in activity toward the end of 1986 and into 1987 should prevent over-building.

The Department of Finance is forecasting 250,000 new residential authorizations for 1986, virtually the same as in 1985. A slight easing to 244,000 is anticipated for 1987. Both these forecasts assume that interest rates remain low, effectively stimulating marginal demand for new homes. They also incorporate the assumption that potential tax law changes will encourage activity through 1986 to avoid the possible tightening of depreciation rules in subsequent years.

Sales of existing homes are expected to fall off, too. The California Association of Realtors estimates that existing home sales will decrease slightly to 395,000 units, a decline of 3 percent from 1985.

The Department of Housing and Community Development predicts that production of manufactured and factory built housing will equal 12,500 units in 1986, down about 6 percent from 1985.

Interest rates are not expected to rise significantly in 1986. The Department of Finance predicts that mortgage rates are likely to edge upwards by the end of the year and in 1987, but that this will create only a moderate deterrent to home sales. Specifically, the forecast calls for the rate for conventional fixed-rate mortgages to fluctuate between 10.5 and 11.0 percent during the second half of 1986.

Overall, construction activity in California is expected to remain strong and continue to outpace the nation in 1986. The pace of activity will ease back in 1987, reflecting the business expansion. This should assure that the new construction is absorbed as the cycle matures.

Financial Considerations

Last year was a good one for California's lending institutions. The continued uptrend in the economy, low inflation, and lower interest rates caused 1985 to be an important year for many of the State's banks, savings and loan associations and mortgage companies.

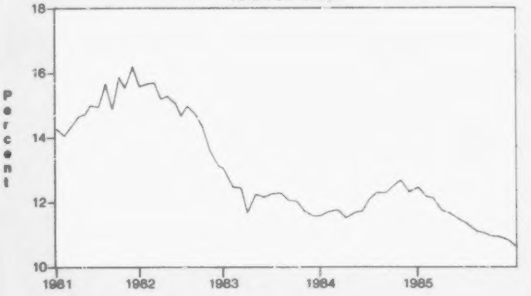
Homebuyers responded to these favorable conditions by utilizing funds from banks and savings and loan associations in greater proportions than seen in recent years. The California Association of Realtors reported that 73.9 percent of the home-buying transactions in 1985 were financed through institutional lenders. The year before only 62.1 percent of the financing was through institutional lenders. Assumptions last year accounted for 14.8 percent, while owners carried paper in 3.8 percent of the transactions. Buyers paid for their homes with cash in 7.5 percent of the sales. In 1984 a greater proportion of transactions were the result of assumptions (22.5%) and owner financing (6.1%).

Last year was pivotal for the savings and loan industry in California. The financial situation of the associations is closely tied to trends in building. The gains in home building and lower interest rates, which led to increased loan activity and reduced the cost of obtaining funds, contributed to a turnaround in profitability. Earnings were up more than $1 billion, from a net loss of $200 million to a net profit of $846 million.

There were 202 associations or savings banks with total assets of $252 billion operating in California at the end of 1984, while there were 218 associations or savings banks with total assets of $270 billion at the end of 1985. Overall, California's financial institutions appear to be in good shape, and able to accommodate the demands for financing stimulated by the construction industry.

Due to deregulation in the industry, there was excessive risk-taking by some savings and loans, however, which had an adverse impact on their profits in 1985. As a result, there were nine failures of California-based associations during the year. The failures which have occurred in California as well as in Texas, Ohio

Figure VI - 4
Mortgage Rates
1981 to 1985



and Florida, have drained a large portion of funds from the Federal Savings and Loan Insurance Corporation (FSLIC). In the shortrun, this means there will be a limit on new associations under state charter until FSLIC funds are replenished and a greater degree of monitoring on association activities and balance sheets can be established. It does not appear that this will impact the construction industry. Existing state and federally chartered savings and loans, along with mortgage companies and banks, are well positioned to finance increased construction activity.

Nonresidential Construction

For the third year in a row, nonresidential construction was up strongly. Overall, the valuation of permits authorized was up 11.3 percent to $13.3 billion.

Historically commercial construction projects have dominated total nonresidential activity, and 1985 was no exception. Last year nonresidential construction accounted for 43 percent of total construction; of that, nearly half was invested in commercial developments. The largest increase occurred in the hotels and motels category, which was up 44.3 percent from 1984. Office, bank and professional building construction only grew 1.6 percent last year, but this category still accounts for more than half of all commercial construction.

The office and professional category, in particular, deserves mention. Construction picked up strongly following the last recession. As a result, new square footage completed appears to have exceeded demand by a substantial margin. This situation is reflected in vacancy rates, which have increased rapidly over the past few years. San Jose, the Oakland-East Bay Area and Sacramento each had office building vacancy rates in excess of 24 percent for December 1985.

TABLE VI-7
NEW NONRESIDENTIAL CONSTRUCTION IN CALIFORNIA, 1984 AND 1985
(In millions)

	1985	*1984*	*Percent Change*
Total Nonresidential	$13,317.8	$11,968.6	11.3
Commercial	6,236.0	5,644.1	10.5
Office, bank and professional	3,343.3	3,290.4	1.6
Stores and mercantile	1,404.1	1,130.1	24.2
Hotels, motels, and cabins	1,013.0	701.8	44.3
Parking garages	235.8	334.2	−29.4
Amusement and recreation	188.3	144.2	30.6
Service stations and repair garages	51.3	43.3	18.5
Industrial	1,956.6	2,020.4	−3.2
Other nonresidential	1,800.2	1,560.6	15.4
Public works and utilities	244.4	217.1	12.6
Hospitals and other institutions	123.7	166.2	−25.6
Schools and educational	111.4	108.6	2.6
Churches and other religious buildings	111.0	76.6	44.9
Residential garages	155.7	145.0	7.4
Miscellaneous	1,054.2	847.0	24.5
Additions and alterations	3,325.0	2,743.5	21.2

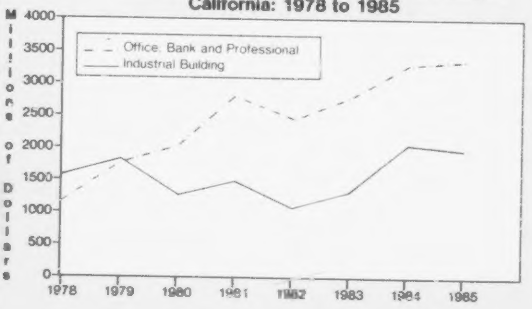
Source: Security Pacific National Bank

Perhaps the most dramatic change has been in San Francisco. Traditionally, this area has had a vacancy rate below 1 percent, reflecting the strong demand for space. With the massive amount of building which has been undertaken in the past few years, the downtown rate stood at 13.4 percent at the end of 1985. This situation may have been created in part, however, by impending zoning restrictions which will limit the height of new structures.

Concerns about over-building are increasing, especially since commercial construction shows no signs of easing. One reason for this may well be that rising vacancy rates are not a problem for owners of newer buildings. There have been suggestions that newly-constructed space is absorbed in a reasonable period of time, but at the expense of existing buildings. Rent concessions and other incentives have undoubtedly played a part in the absorption process.

It is difficult to estimate the impact that impending tax law changes may have had on this type of construction, given the long lead time between initial planning and the completion of major building. Presumably at least some of the recent strength in office building has been

Figure VI - 5
Trends in Office and Industrial Construction, California: 1978 to 1985



due to the possibility that tax shelter provisions could soon be tightened, and that depreciation rates would be modified.

California has seen cycles in nonresidential construction in past years, reflected in unusually high vacancy rates, a subsequent drop in activity, space shortages, and the onset of another surge in building. It appears that this pattern may occur again. How high vacancy rates will go before an adjustment gets underway is the major unknown. With the strong pace of expansion in the State, it is even possible that the developing excesses can be worked down without a significant curtailment for the construction industry, especially if interest rates remain favorable.

Industrial construction was down 3.2 percent between 1984 and 1985. This is not surprising, though, given the fact that there appears to be a higher percentage of vacant industrial space in California than in other major areas of the United States.

The additions and alterations category has become an important part of nonresidential construction. Additions and alterations were up 21.2 percent in 1985, to $3.3 billion.

The only areas of weakness were parking garages and hospitals. The fall-off in hospital construction reflects the breathing space which occurred after the surge in building permits when the Seismic Safety Act became effective in 1983.

TABLE VI-8
DOWNTOWN VACANCY RATES FOR OFFICE BUILDINGS
(December rate)

	1981	1982	1983	1984	1985
United States Average..	–	–	16.2	17.2	20.1
Downtown	4.8	10.3	12.4	14.7	16.5
Suburban	–	–	18.7	18.2	22.0
Los Angeles	–	–	15.9	16.7	16.9
Downtown	0.8	9.5	12.3	11.8	18.2
Suburban	–	–	17.2	17.8	16.7
Oakland-East Bay	–	–	–	19.1	24.9
Downtown	–	–	–	12.1	27.3
Suburban	–	–	18.4	19.7	23.9
Orange County	–	–	17.3	13.1	19.3
Downtown	–	–	–	–	–
Suburban	–	–	17.3	13.1	19.3
Sacramento	–	–	23.2	23.4	26.1
Downtown	9.1	18.3	19.3	17.0	16.6
Suburban	–	–	24.9	25.9	–
San Diego	–	–	21.1	17.9	22.9
Downtown	3.7	27.3	21.3	22.2	23.4
Suburban	–	–	20.8	13.9	22.5
San Francisco	–	–	10.6	13.5	16.6
Downtown	0.4	5.7	5.9	10.1	13.4
Suburban	–	–	18.3	19.0	22.0
San Jose	–	–	13.8	15.7	24.5
Downtown	–	12.3	10.5	14.7	22.2
Suburban	–	–	16.0	15.9	25.0

Source: Coldwell Banker, Office Vacancy Index of U.S.

Highway Construction

Highway construction increased dramatically in 1985, with the California Department of Transportation (Caltrans) awarding contracts worth $702 million. This represented a 37 percent rise in total contract valuation from 1984. The size of individual contracts was also up significantly. The average contract value of major construction projects over $250,000 was up over 60 percent. This reflected a continued shift from smaller, repair type jobs toward larger new construction and highway improvement jobs.

The strong growth in total highway contract valuation is significant, especially considering the recent stabilization of input costs. The Caltrans Price Index for Selected Highway Construction Items fell 0.7 percent in 1985, a sharp contrast to the 15.3 percent increase in 1984.

Figure VI - 6
Office Vacancy Rates by Metropolitan Area
December 1985

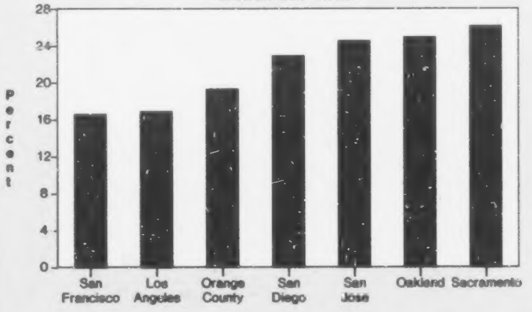
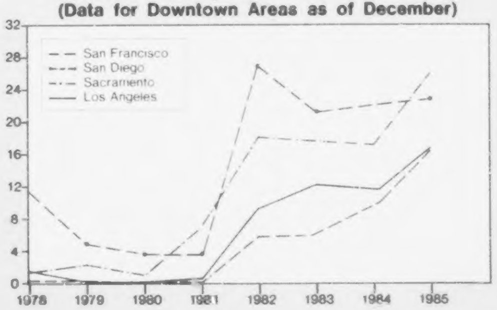


Figure VI - 7
Trends in Vacancy Rates for Office Buildings
(Data for Downtown Areas as of December)



The administration's proposed $1.2 billion capital outlay budget for the 1986–87 fiscal year allows for both continued maintenance and rehabilitation of the existing road and highway system, and implementation of the State Transportation Improvement Program (STIP). The STIP contains over 1,500 major projects, of which many are on an accelerated schedule for completion, to take advantage of available federal funding. Implementation of the 1985 STIP will insure continued progress in improving the State's infrastructure and provide support for the heavy construction sector.

TABLE VI-9
CAPITAL OUTLAY FOR HIGHWAY CONSTRUCTION AND REHABILITATION

Year	*Number of Contract Awards*	*Value of Contracts (million $)*	*Average Number of Bidders*	*Percent Change in Cost Index*
1980	704	462	5.4	28.8
1981	748	265	6.4	5.3
1982	735	388	6.3	14.3
1983	884	409	5.6	−13.6
1984	761	512	4.9	15.3
1985	641	702	4.7	−0.7

Source: California Department of Transportation

VII. Critical Issues

There are three critical issues currently facing the State: the State and Local Appropriation Limit, Gramm-Rudman-Hollings, and the aftermath of the February floods. Since these have a broad economic impact in many areas, they are discussed briefly in this section on current issues.

The Appropriation Limit

One aspect of restrained inflation was not generally anticipated: the coming into force of the Appropriation Limit.

In 1979, California voters approved a Constitutional change which set an appropriations limit for State and local government. Basically, the limit held annual spending to a change no greater than the change in price and population. Price was defined as the lesser of the increase in per capita income or the U.S. consumer price index over given periods.

When the limit was approved, State spending was far below the ceiling permitted, due largely to the rapid rate of inflation and the impact of the recession of the early 1980s. Inflation cooled rapidly beginning in 1962, however, sharply curtailing growth in the limit. This development interacted with the economic recovery which got underway in 1983. The recovery was typically strong, leading to a sharp gain in revenue collections. As a result, the gap between budget expenditures and the appropriation limit began to shrink.

It is estimated that expenditures for 1986–87 will fall $100 million below the limit. This is an extremely small margin considering that the limit is expected to amount to $24.2 billion. Any unexpected surge in economic activity could push the budget up to the limit. It now appears almost a certainty that the limit will be a factor in 1987–88. When the limit is reached, budget deliberations will focus less on the economic outlook and the reasonableness of revenue estimates and more on the allocation of resources which can be allocated.

It should be noted that not all expenditures are subject to limitation. Expenditures from bond funds approved by the voters, for instance, are exempt. State appropriations to local governments for unrestricted use are excluded from the State's appropriation limit, but included in the limit for the local government. On the other hand, appropriations to local governments which are earmarked for particular uses are included in the State's limit. Other adjustments are relatively minor.

Until now, spending in only a few local jurisdictions has reached the limit. Over the next two years the issue can be expected to affect a growing number of local governmental units. The strength in construction over the past two years, for instance, could lead to a strong rise in property valuation. Even at the 1 percent property tax rate specified under Proposition 13 local revenues could rise significantly. Some local governments have faced this problem already. One solution has been refusal of subventions from the State which would put them over their limit.

There are three possible solutions to the limit at the State level. The first is a reduction in revenues, which could be achieved by various means: rate reductions, increased credits, the enactment of new tax expenditures (exemptions, credits, deductions or exclusions from the tax base), or a refund to taxpayers. A second possibility is a vote of the people to increase the limit.

Finally, the Governor could declare an emergency necessitating higher expenditures for one year. The limit in the following three years would have to be reduced, however, to avoid any permanent increase.

While the Appropriation Limit will probably not come into play until 1987, debate on its ramifications is already underway and can be expected to intensify over the next year.

Gramm-Rudman-Hollings

The Gramm-Rudman-Hollings deficit reduction act has been mentioned briefly in earlier sections. It is premature to attempt to quantify in precise terms the impact which it could have on California.

For the 1985–86 fiscal year, the cuts required nationally are relatively small: $11.7 billion. One estimate put California's share of this total at more than $1 billion, with reductions in funds for highways, mass transit, medicare payments to hospitals, and certain education programs. The fact that critical programs such as social security, public assistance and child nutrition are excluded from cuts, and that a number of other programs are subject to only minimum reductions will blunt the impact on disadvantaged groups.

Potential cuts in defense spending are of particular interest to California. Firms in the State receive approximately 20 percent of all prime defense contracts awarded in the Nation, and 40 percent of the contracts from the National Aeronautics and Space Administration. Much of the work currently in progress appears safe from cuts in this fiscal year. Reductions in 1986–87 and later years for defense will be determined by the Pentagon.

There is no way of determining how severe the reductions would be in California. The impact will depend in part on the health of civilian components of the aerospace/electronics industry. To the extent these are expanding, workers can transfer in many cases from defense to nondefense projects. The mobility of individuals in these industries is much greater than in most other sectors, which also helps in an adjustment period. A study of the defense industry is being undertaken to determine the potential impact of cuts.

The long-run impact of Gramm-Rudman-Hollings is likely to be mixed. The deficit is not a positive factor for the longer run, since it can lead to higher interest rates as Treasury Department operations force other borrowers out of credit markets. If the Federal Reserve System accommodates the Treasury, higher inflation is likely to result.

On the other hand, the deficit has been a stimulative factor. Efforts to curb the deficit sharply could lead to a period of slow growth.

The ultimate impact of Gramm-Rudman-Hollings will depend on how the legislation is finally implemented, assuming that Constitutional challenges do not succeed in overturning the entire act. Basic philosophical differences are represented in the budget deliberation process: one side advocates expenditure cuts, the other looks toward tax increases. The final solution could well involve a compromise.

The situation is complicated slightly for California by the State Appropriation Limit. Expenditure cuts at the national level could be picked up by State and local governments in some cases. For California this becomes more difficult, however—and perhaps even impossible—considering that the increase in spending would undoubtedly push many jurisdictions over their appropriation limits.

Overall, the coming months are expected to see a period of intense negotiation over the implementation of Gramm-Rudman-Hollings. Until this is completed, it will not be possible to draw any good conclusions on its economic impacts on the State. Even so, the forecasts for 1986 and 1987 which are given in this Report do include some basic adjustments for the act: less federal spending for nondefense, slower growth for defense and a cut in federal civilian employment.

The February Floods

The floods which hit Northern and Central California in February were the worst in more than two decades. Damage estimates were placed at $319 million. It was estimated that 12,000 homes and nearly 1,000 businesses were damaged or totally destroyed. More than 50,000 people were driven from their homes at the height of the disaster. In all, 29 counties were declared disaster areas by the Governor, making them eligible for State relief. Of these, 12 were declared disaster areas by the President, making them eligible for federal assistance.

Losses will not easily be made up for many people. Cleanup efforts and rebuilding will take weeks, if not months, to complete. Business losses may lead to relocation. The overall economic impact in the counties affected will be mixed: an initial sharp curtailment of activity, with some subsequent short-term stimulus from reconstruction projects.

The Governor has developed a relief program which will assist both individuals and business.

- Individual and family grants up to $5,000 have been proposed beyond the $5,000 grant available from the federal government to absorb eligible unmet repair and reconstruction needs.
- The Legislature has been asked to modify California's tax laws to permit the deduction of casualty losses not recovered by insurance or other relief programs. Carry-forward and carry-back provisions would be expanded as well. Tax treatment of losses incurred by businesses would be brought into conformity with federal law.
- Local assessors have been asked to adjust April property tax payments downward for those who can demonstrate substantial damage to their homes and businesses. The revenue loss to local governments would be made up by the State.
- One-time grants would be made available to each affected county for its particular local needs. The size of each grant will be deter-

mined by the estimated level of property damage and the number of flood victims. All expenditures from these funds would have to be spent on flood-related projects.

- Emergency federal highway funds are being sought to repair and rebuild damaged roads and highways. Up to $30 million is available for this effort.
- The Governor is appealing to financial institutions to take individual flood-related losses into account when making decisions affecting the financial status of families in the flood areas.

The total cost of this relief package is estimated at $115 million.

Over the coming year, the affected areas should emerge with a new vitality which will be an asset for longer term development.

VIII. Resources

Agriculture

Abundant crops amid financial stress characterized California's agriculture in 1985. High yields, low prices and a series of confidence-shaking problems combined to strain the agricultural sector. Credit was tightened, especially for those who had borrowed on high land values. While some land values, such as for citrus acreage, remained high, raisin grape vineyards were falling to 40 percent of their 1981 and 1982 value. The Federal Land Bank's Sacramento office had 200 foreclosures pending at the end of last year, compared with only seven in all of 1980.

Cash receipts from farm and ranch marketings amounted to an estimated $14.2 billion in 1985, up 5 percent from 1984. Net income gained only 2.5 percent. Cotton yields were 15 percent greater than in 1984. The orange crop was up 7 percent, and the grape crop was 11 percent higher. Other crops with production gains included apples; apricots; asparagus; celery; crenshaw, persian and honeydew melons; mushrooms; potatoes; strawberries; nectarines; grapefruit; tangerines; wheat; dry beans; and hay. Livestock products were also up, with gains in milk, cattle, turkeys, broilers, sheep and wool.

TABLE VIII-1
CASH FARM RECEIPTS, CALIFORNIA, 1984

	Value (in billions of dollars)	*Percent of total*
Fruit and nut crops	$2.7	20
Field crops	3.1	22
Livestock and poultry	3.5	25
Vegetable crops	3.1	22
Miscellaneous (primarily nursery and greenhouse products)	1.4	10

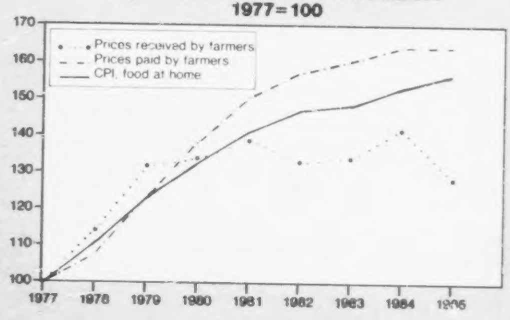
Source: California Department of Food and Agriculture

Problems Affecting Agriculture

The financial situation of many California ranchers and growers has become critical over the past two years of low prices and falling land values. For farm and ranch operators who borrowed in the late 1970s or early 1980s to expand their land base or equipment, the decline in land values has been especially serious. The value of all farm real estate, including both land and buildings, dropped 10 percent between 1984 and 1985 alone. The decline in land values has led banks to refuse refinancing, as the value of the land no longer meets collateral requirements. Some agricultural leaders estimate that 25 percent of California's farm and ranch operators will go out of business in the next year.

Figure VIII - 1

Trends in Farm and Food Price Indices 1977=100



The problems are not universal,

however. Not all operators are finding the debt burden too high, and not all commodities are affected by low prices. This is reflected in trends in acreage values over the last ten years. Raisin grape land is selling at 40 percent of its former value, while the price of citrus orchards is increasing. Long-established growers and ranchers are better able to operate without a heavy debt load and are not affected by the change in land values.

The financial crises for some producers will bring changes in ownership, new managers and—in some cases—a shift to a new crop mixture. California's farmland will continue in production even though some families are out of business or may be working as hired operators for new owners rather than for themselves.

Declining exports and increasing imports have also made economic survival difficult for producers of some commodities. There was a downtrend in exports through the year with few exceptions. Cotton exports, for instance, declined from 80 percent of production in 1982 to 70 percent in 1984, the latest year for which data are available. Rice, prune, alfalfa and tomato exports also fell, leading to an overall 5 percent drop in exports to $2.9 billion. In 1981 exports amounted to $4.2 billion.

A notable exception to the problems in export markets was the gain for almond producers. Sales to the USSR and India augmented other foreign demand and gave the industry good hopes for further marketing success.

Import competition was of concern to producers of wine grapes, dried apricots, pistachios and cut flowers. In each case there were complaints about unfair subsidy practices making it possible for foreign products to sell below the California-grown item.

Another factor is that the grower's share of each dollar consumers spend on food has been declining and now amounts to only 27 percent on average.

In some cases, prices have fallen below the cost of production. This has been true for cotton and rice, for instance. One rice marketing cooperative actually sent bills to growers to cover the effect of the price decline rather than the final payment which was expected for their rice.

As a result of these various problems, net earnings of agricultural producers are stagnant or declining.

The diversity of California's agriculture continues to sustain it even though individual parts are under great financial stress. A leading financial institution has estimated that 25 percent or more of the State's farms are in financial difficulty. Another major bank states that 10 to 20 percent of its agricultural loans are nonperforming. A survey of large commercial banks in California showed a 13.1 percent delinquency rate on farm loans, compared to a national average of 8.9 percent. The American Bar Association is organizing programs on agricultural finance with emphasis on bankruptcy procedures to train lawyers on how to help both lenders and borrowers.

Agriculture was buffeted by strong winds from other directions as well. Unrelated incidents have brought attention to milk safety through the contamination of Mexican style cheese, to the unauthorized use of pesticides through the watermelon recall program, and to ground water contamination by high selenium levels in the Kesterson Reservoir. Each incident has emphasized the importance of a safe food and water supply and the responsibilities that are shared by government and business.

The Farm Bill of 1985 holds hope for sustaining producers of cotton, rice, wheat, barley, sorghum, corn for grain, honey, wool and dairy products. Its provisions will indirectly affect other commodities. The implications for international trade are yet to be calculated.

Figure VIII - 2

Distribution of the Food Dollar, 1984

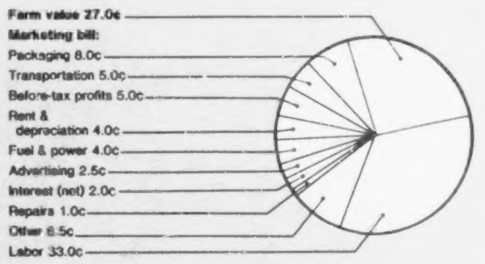
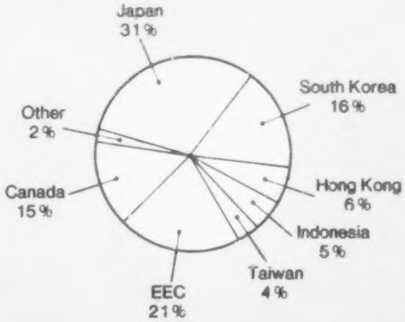


Figure VIII - 3

Markets for Agricultural Exports, 1984



The Outlook for Agriculture

Even with the critical aspects which face agriculture, there is reason for optimism in the longer run. California agriculture's diversity, for instance, helps to insulate it from the far more serious situations which prevail in the one crop economies of the Mid-West. Similarly, communities in this State which depend on agriculture are shielded from economic extremes by a diverse resource base.

On the financial front, California banks have relatively small percentages of their total funds loaned to agricultural enterprises and can therefore withstand financial shocks more easily than their Mid-West counterparts. Finally, the declining value of the U.S. dollar will lead to an improvement in the export market.

California's farms and ranches will continue to increase production due to both enconomic and technical factors. Improved production techniques are quickly adapted to maintain income despite falling per unit prices.

Markets for the State's products are being expanded through industry organizations such as commodity boards, commissions and councils. A new program for export promotion within the California Department of Food and Agriculture was launched by 1985 legislation and a $2 million appropriation to support promotion of California's agricultural products with matching funds.

Marketing of fresh fruits and vegetables is benefiting from consumer preference for these products over canned commodities. This is bringing increases in consumption of such crops as lettuce, broccoli, cauliflower, fresh grapes, nectarines and strawberries. At the same time the producers of canned peaches, pears, fruit cocktail, asparagus and green beans are faced with both declining demand and foreign competition.

New products are making inroads on old markets. Kiwi fruit are now a well established product with feijoas and cherimoyas trying to follow suit. It is estimated that plantings of jojoba have exceeded 10,000 acres even before a marketing system is organized. Wine coolers have expanded to rival competing beverages. The newly organized Winegrowers of California have launched several research and advertising programs aimed at creating new products and expanded sales.

The agricultural situation has led to a number of seminars and conferences on how to address ongoing problems. Using less energy, water and land along with greater efficiency in labor, management and marketing have been recurrent themes. Increasing attention has also been given to competing with other world producers in spite of the strong U.S. dollar, and ways to find markets, minimize transport costs and losses, and change policies that work against California products.

The coming year will see further changes in the agricultural sector. Production will continue to rise overall. At the same time, there are likely to be significant consolidations, mergers and other structural changes which should, in the longer run, lead to a stronger industry.

Forestry

The timber and wood products industries in California have been under considerable economic pressures for several years, with the business cycle, increasing competition from foreign producers, restructuring associated with company mergers and acquisitions and proposed changes in tax laws.

Developments during the past year were mixed as a result. With housing activity up sharply, the volume of timber harvested in the State rose by 9 percent. On the other hand, wholesale lumber prices were down 9 percent, with stumpage prices down 19 percent. Furthermore, one indicator of future activity was weak: the number of timber harvest plans declined 7 percent.

TABLE VIII-2

RANKING AND VALUE OF LEADING CALIFORNIA PRODUCTS, 1984[a]

	Ranking	*Value (in millions of dollars)*	*Percent of state total*
Milk and cream	1	$1,986	13.6
Cattle and calves	2	1,416	9.7
Cotton	3	1,064	7.3
Grapes	4	848	5.8
Nursery products	5	720	4.9
Hay	6	652	4.5
Lettuce	7	540	3.7
Flowers and foliage	8	524	3.6
Almonds	9	470	3.2
Tomatoes, processing	10	427	2.9
Eggs, chicken	11	409	2.8
Oranges	12	402	2.8
Strawberries	13	317	2.2
Chickens	14	305	2.1
Rice	15	249	1.7
Potatoes	16	242	1.7
Wheat	17	223	1.5
Broccoli	18	220	1.5
Sugar beets	19	207	1.4
Celery	20	180	1.2

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[a] Based on value of quantity harvested for crops and on value of quantity marketed for livestock and poultry products.

Source: California Department of Food and Agriculture

TABLE VIII-3
CALIFORNIA TIMBER HARVEST
(million board feet)

	Public land	Private lands	Total
1980	1,228	1,863	3,091
1981	950	1,722	2,672
1982	818	1,501	2,319
1983	1,468	1,890	3,358
1984	1,418	2,096	3,514
1985 (est.)	1,441	2,385	3,826

Source: California Department of Forestry.

TABLE VIII-4
PRICES OF SELECTED WOOD PRODUCTS

	Framing Lumber Composite Index	Douglas-fir std & btr 2x4	California Ponderosa Pine #3, 1x12	Douglas-fir plywood ⅜", cd cxt
1980	203	209	300	155
1981	195	190	300	148
1982	169	167	259	135
1983	221	222	251	154
1984	199	202	278	152
1985	194	175	226	150

Source: California Department of Forestry; Random Lengths. Prices are in dollars per thousand board feet for lumber, and dollars per thousand square feet for plywood.

The strength of the U.S. dollar compounded ongoing problems for the industry, making it even more difficult to compete in the export market. In addition, imports continued to capture larger shares of the domestic lumber and wood products markets. Canadian imports account for less than 6 percent of lumber imports to California, but more than 30 percent of the national market. Consequently, there has been a strong push for protection from Canadian imports at the national level.

A number of mills closed in the State during the past year, as high costs of outdated equipment, labor costs and other factors continued to force restructuring. Employment in the lumber industry was up 1.6 percent to 56,000. The increase appears to reflect the gradual strengthening of the industry as older, inefficient mills are closed in a restructuring process designed to improve cost-effectiveness. Employment in manufacturing of paper and allied products rose by 2.6 percent, reflecting the stronger ties that this sector has to general economic conditions. There was improvement in the unemployment rates for timber-dependent counties of Del Norte, Siskiyou, Humboldt, Sierra and Nevada. This undoubtedly reflected a variety of factors, including general business conditions. Substantial improvement in the longer run can be expected only by greater diversification of the economic base.

Overall, most analysts agree that many of the more difficult moves towards bringing the industry around have been made.

The number of takeovers of timber companies last year underscores the industry's continued weakness and efforts to restructure. Three major California companies were targets of takeover bids, of which two were successful. The impact of these developments on the industry is not yet clear. There are some concerns that the timber assets of the acquired companies will be liquidated quickly to pay for the buyout. Others argue that the timber will be held for its appreciating value, and that

TABLE VIII-5
EMPLOYMENT IN FOREST PRODUCTS INDUSTRIES

	Lumber and wood products	Paper and allied products	Total
1980....	62,600	38,700	101,300
1981....	57,900	38,700	96,600
1982....	46,200	37,500	83,700
1983....	49,700	36,500	86,200
1984....	55,100	38,700	93,800
1985....	56,000	39,700	95,700

Source: California Employment Development Department

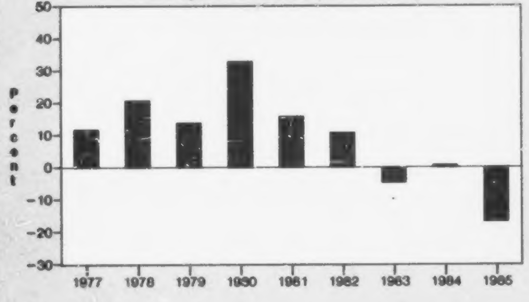


Figure VIII - 4
Annual Change in Farmland Values
Cropland— Sacramento Valley

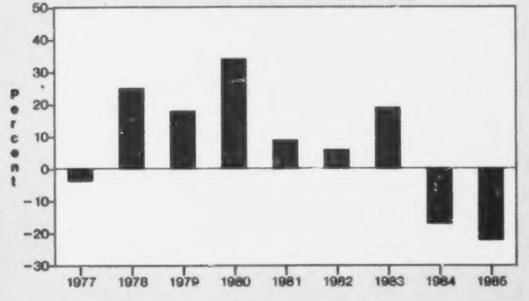


Figure VIII - 5
Annual Change in Farmland Values
Almonds— Sacramento Valley

the attention gained by the industry will lead eventually to stronger valuations reflecting land and timber assets.

Overall, most analysts agree that many of the more difficult moves towards bringing the industry around have been made.

Mining

California is the leading state in the Nation in the production of nonfuel minerals. In 1985, output increased to an estimated $2.2 billion from $2 billion in 1984. California ranks first in the production of rare earth metal concentrates, tungsten ore, boron minerals, diatomite and sand and gravel, and is second in natural calcium chloride, portland cement, calcined gypsum, magnesium compounds from seawater and sodium carbonate.

The State's historical role as a gold-producing state has been revived to some extent recently by a number of exploratory and open pit gold mining operations. Development of low-grade, high-tonnage open pit gold deposits was highlighted by the February 1985 opening of a major gold project in Napa County, which has involved an investment of more than $250 million. Another large open pit gold project is under development in Imperial County. Venture capital is even coming into the State from Australia for investment in low-grade gold mines.

Some minerals are important in international trade. Asbestos exports from California to Mexico, Japan, Taiwan, Malaysia and the Philippines, for instance, are substantial. On the opposite side, bulk cement imports at prices below costs of production in California are posing new challenges for the State's industry.

Oil

California ranks fourth among the oil-producing states, following Texas, Alaska and Louisiana. Proven reserves—oil that can be economically recovered with existing technology at current prices—were estimated at 5.3 billion barrels at the start of 1985.

Currently, the State produces about 13 percent of the nation's domestic crude oil. Oil production in the U.S. has remained nearly constant since 1980, but has been rising in California. Production in 1985, at an estimated 425 million barrels, was up 3 percent, marking the seventh consecutive annual increase. Production figures include Federal Outer Continental Shelf production, which amounted to 29.9 million barrels last year.

Kern County continued to lead California's 19 other oil producing counties, with approximately 58 percent of the State's combined onshore and offshore production. Los Angeles County was in second place, with a 16 percent share.

Incremental oil production—oil produced as a result of enhanced recovery projects—totaled about 228 million barrels in 1984, or 55 percent of total oil production in the State. Steam stimulation of heavy-oil reservoirs, especially in Kern County, accounted for about 158 million barrels, or 69 percent, of all the incremental oil produced in 1984. Waterflood operations accounted for the remaining 30 percent. Continued increases in onshore oil production are predicated on additional increases from enhanced-recovery projects. If recent price cuts for crude oil are sustained, however, enhanced oil recovery projects would become economically less attractive.

Statewide drilling activity experienced a reversal of its recent uptrend in 1985, attributed largely to declining prices for crude oil. Approximately 4,070 new wells were drilled last year, as opposed to 4,270 in 1984. The number of new oil and gas wells going into production last year fell to about 3,050 from 3,363 in 1984. Even at this level, the number of new wells was up substantially from the 1,918 total for 1983 and only 992 in 1973—the year just preceding the first oil crisis. Much new drilling activity has been associated with enhanced recovery techniques, however, and not exploration. Exploration drilling in Kern County, for instance, has been declining since 1981.

Figure VIII - 6
Annual Change in Farmland Values
Vineyards: Raisin Variety— San Joaquin Valley

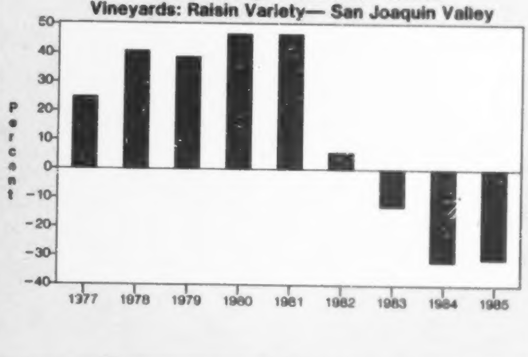
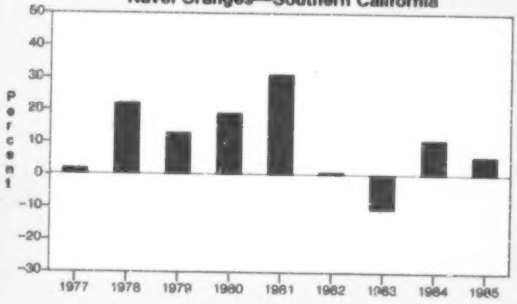


Figure VIII - 7
Annual Change in Farmland Values
Navel Oranges—Southern California



Production from State tidelands, which lie within 3 nautical miles of shore, was up marginally in 1985 to 39.6 million barrels. While this reversed a downtrend, production remained significantly below the peak year of 1969, when production amounted to 86 million barrels.

Natural Gas

Natural gas production in the State increased 4.7 percent in 1985 to 501 billion cubic feet. At the beginning of the year, 1,270 gas wells were in operation, up from 1,190 a year earlier. Reserves at the start of 1985 were estimated at 4.8 trillion cubic feet.

Energy Trends

Trends in the energy industry continue to have an important impact on economic development in California. Supply and price conditions are far more favorable than in prior years, which should strengthen expansion at least in the short run.

Preliminary data for 1985 indicate that energy consumption rose 3 percent. Actual data for 1984 indicated a rise in energy use of 5 percent. Petroleum accounted for the largest part of the total, followed by natural gas and electricity. An often unnoticed fact is that 23 percent of the primary supply of energy in the State is used to generate electricity. The data in Table VIII-6 compare primary energy sources and end use.

TABLE VIII-6
ENERGY USE IN CALIFORNIA, 1984

	Trillions of BTUs	*Percent of total*
Primary energy supplied		
Natural gas	1,825	29
Petroleum	3,510	56
Other	989	15
Total	6,324	100
End use energy delivered		
Electricity	611	11
Natural gas	1,226	23
Petroleum	3,486	64
Other	84	2
Total	5,407	100

Source: California Energy Commission

The following sections review trends in use and prices for each major energy source, and what the immediate future may hold for California's energy system.

Oil. While oil is still the primary source of energy in the State, its relative share has been dropping gradually. Oil accounted for 63 percent of all energy supplied in 1978. This share had declined to 56 percent by 1984. California relies on nonstate sources for approximately 30 percent of its oil: most of this comes from Alaska.

Oil production activity in the State has been discussed under the previous section on Mining. The most significant aspect relating to overall energy considerations is price trends.

Price trends have been noteworthy for the last two years. Crude oil prices peaked in 1981, and have been on a downtrend since. The decline in recent months has been spectacular, however, with crude falling from approximately $30 per barrel to $12 per barrel by early March. This has reflected increased production and still sluggish demand, which have combined to exert strong downward pressures on prices. The downside move from this point on is limited by basic production costs, which are rapidly being approached.

The economic impacts of this development are expected to be widespread. The most immediate effect has already been to deter drilling activity. Economic activity is expected to receive added stimulus, especially in Europe which is heavily dependent on oil. Closer to home, consumers can expect lower prices on gasoline, in particular, although declines may not be as large as could be expected from the crude oil price fall. There is the possibility that dealers may take this opportunity to improve margins moderately. Other prices should also reflect the oil situation, since petroleum is a factor in many production activities.

There are other possible impacts. Consumption may increase somewhat as prices decline further. At the least, consumers will find themselves with additional discretionary income. Larger automobiles may gain favor at the expense of smaller, more fuel efficient, models. If prices stay down for an extended period, there could well be a pronounced economic stimulus through the balance of the decade. There could well be a faster growth trend established in energy consumption as conservation measures became less critical. Only time will tell how the oil situation will ultimately affect the national and state economic environment.

Transportation Energy. The strong pace of economic recovery in 1984 and stability in gasoline prices led to a resurgence in demand for gasoline starting with that year. This latest development is only the latest in a succession of changes marking the evolutionary pattern on transportation in the State.

The prior decade saw an increase in both registered vehicles and licensed drivers. However, the average number of miles driven fell. There was a pronounced move toward smaller, more efficient cars—a move reinforced by the imposition of federal fuel economy standards. These developments were still at work in 1984. The average life of an automobile is approximately 10 years. As a result, more efficient models were still being reflected in the total "fleet" of automobiles in the State by higher average fuel efficiency. More recently, however, there has been a leveling-off in the trend toward improved fuel economy in new cars.

Gasoline sales rose to 11.74 billion gallons in 1985, approaching the prior peak of 11.88 billion gallons set in 1978. Sales have increased for the last three years, reflecting economic expansion, strong new car sales, and stable to lower gasoline prices. Projections of further price reductions for gasoline and the slowdown in the trend toward more fuel efficient cars are expected to contribute to further gains in gasoline consumption in the coming year.

Natural Gas. Natural gas accounts for approximately 29 percent of the total energy consumed in California, compared to 25 percent of the total in the U.S. In the last seven years, gas sales have declined—except for electricity generation—among all customers, due primarily to increased conservation and energy efficiency.

Purchase costs for California's gas supply declined in 1984 for the second year in a row. Because these purchases represent nearly 90 percent of the California gas supply, rates for residential, commercial and industrial customers fell in 1984. Not all the price decline was reflected in rates, however, given higher transportation costs for natural gas. With prices for Canadian and Southwestern gas still declining slowly, significant rate increases for the next few years seem less likely.

Electricity. Both the U.S. and California rely on electricity to deliver approximately 10 percent of their total energy needs. California and the nation differ in the primary energy sources used for generation, however. The U.S. relies primarily on coal for its electrical generation, while more than 50 percent of California's electricity is normally provided by gas and—to a small extent—oil.

In 1983, California received roughly 83 percent of its electricity from power plants in the State or from coal and nuclear plants in neighboring states that were owned or operated by California utilities. The remainder was imported largely from hydroelectric power plants in the Northwest.

Steady increases in electrical rates ended in 1983 when the statewide average electricity price actually decreased, falling from 7.4 cents per kilowatt-hour (KWh) to 7.1 cents per KWh. This development was due largely to favorable hydroelectric conditions throughout the West Coast, as well as to decreases in oil and natural gas prices. In 1984, with less hydroelectric power available, the statewide average electricity price returned to its 1982 level.

Hydroelectric availability, natural gas prices, world oil prices, and the performance of major new power plants will directly influence electricity rates for the next two years. Although oil and gas prices may decline further, electricity rates are expected to increase by approximately 2 percent per year. This rise will cover other utility costs and reflect also a return to lower, more normal, hydroelectric supplies. Fuel costs now represent approximately 40 percent of total electricity prices, compared to 60 percent a few years

Alternative Resources

There is a small, but significant, amount of electricity produced in California from alternative resources. In 1984, for instance, the share of renewables, as such resources are termed, had risen to 4.7 percent. This was about half the goal of 10 percent which was set in the 1970s. The five major renewable resources, and 1984 production, in gigawatt-hours, were:

● Geothermal	10,633 GWh
● Congeneration	5,957 GWh
● Small hydroelectric plants	3,219 GWh
● Wind	640 GWh
● Solar	78 GWh

One gigawatt-hour supplies the annual electrical energy required for approximately 160,000 homes

Geothermal. California ranks first in the Nation and the world in electric power generation from geothermal resources. The 27 power plants on-line have a generating capacity of 1,732 megawatts (MW). Ten of these plants were online before 1974, suggesting that geothermal power from vapor-dominated fields was competitive with oil and gas even before the prices of those fuels escalated in the 1970s. Electric utility companies project that power plants in the planning or construction phase will add 8,627 GWh by 1989. By that year, geothermal is expected to account for 7.4 percent of the electricity generated for use in the State.

Geothermal resources are currently producing 3.7 percent of the electricity sold by California's utilities. Sonoma and Lake counties have the largest field—The Geysers Geothermal Field. The plants on-line there in 1985 had a net generating capacity of 1,609 megawatts.

In the Imperial Valley, a group of electric utilities, private research organizations and public agencies have sponsored the first commercial scale power plant using primarily hot water from geothermal sources. The project goal is to expand development of geothermal energy into lower temperature resources.

Wind and Solar. Wind and solar power have developed rapidly in California due to an innovative private sector, generous federal and State incentives, and favorable regulations requiring utilities to pay producers the avoided costs if power were to be produced by conventional fuels.

California is the leader in wind energy, with more than 80 percent of the world's development. By the end of 1984, approximately 600 MW of capacity were installed, and 359 million KWh were delivered to electric utilities during the year. This power production is enough to meet the annual needs of roughly 60,000 homes. With rapid development, the cost of wind-generated electricity has been cut in half, and further reductions are likely.

Both the cost and operating efficiency of solar and wind systems installed in recent years have improved dramatically over installations in the late 1970s. At the end of

1985, six of the largest advanced solar facilities in the U.S. were in California, with capacity of approximately 70 MW.

A variety of solar thermal power plant technologies are currently being tested in the State. These involve parabolic dishes, parabolic trough reflectors, mirrors and a central receiver, parabolic dish/Stirling engine systems and photovoltaic projects. If solar plants become feasible on a large scale in the future, they will undoubtedly get their initial thrust from the research being undertaken in California.

Cogeneration. The current boom in cogeneration is related in part to a 1983 U.S. Supreme Court decision requiring utilities to buy power generated by businesses and individuals. Cogeneration has an appeal for businesses that can use the heat generated by electrical power production. These include paper and pulp companies, organizations engaged in oil production, and oil refining and food processing industries. In total, utilities provided 2,083 GWh from cogenerators in 1983, with purchases expected to increase sixfold by 1989.

Air Quality

California has long led the Nation in air pollution control. That leadership role is now paying dividends in the form of better air quality for most of the State's 26 million residents. Air quality is improving in spite of increases in population, motor vehicles and overall economic activity.

Air pollution is controlled primarily because of its human health impacts, but damage to vegetation, natural ecosystems and visibility are also important considerations. The social costs of air pollution include unnecessary health costs, greater material damage and lower agricultural productivity. Improvements in the State therefore have significant positive economic impacts.

In the Los Angeles area, 1985 ozone, or smog, levels were among the lowest in more than a decade, despite weather conditions that should have resulted in poorer air quality. In fact, adjusting smog readings to account for yearly weather differences shows that there has been a continuous improvement in smog levels since 1979.

During the same time period, travel on the State's highways increased by 27 percent and gasoline sales in the Los Angeles area climbed to record highs. The Los Angeles air basin's population in those six years grew by more than 12 percent. Improved air quality therefore coincided with strong economic growth, effectively contradicting the widespread belief that environmental protection leads to reduced economic activity.

Recent trends in improving air quality are the result of pollution control measures enacted over many years. California's vehicle emission standards, which have been more stringent than federal standards for over a decade, have given the State cleaner running vehicles. Locally adopted industrial controls pushed the limits of technology. Without these far-sighted actions, air quality in the Los Angeles Basin would have deteriorated over the years.

The Los Angeles area is expected to be the nation's largest population center by the year 2000. Existing controls will not be able to curtail pollution levels with the rate of growth implied. Additional, often more costly, controls will be needed if progress towards clean air is to continue. The Air Resources Board, for instance, has established a goal of reducing excess emissions from motor vehicles by one-fourth by the turn of the century. Many of the reductions will result from improving existing technology rather than by developing new controls. These measures will directly benefit consumers by increasing the durability of auto smog systems as well as improving air quality. Ways to reduce emissions from trucks and buses are also being examined. These heavy duty vehicles make up less than 4 percent of the State's vehicle fleet, but contribute between 10 and 60 percent of vehicle emissions, depending on the pollutant.

IX. Foreign Trade

Foreign trade has traditionally played an important role in California's economy. A chapter in the Economic Report of the Governor in 1978 reviewed trade developments over time and issues related to foreign trade, and estimates of its total contribution to economic activity.

Since then trade has become an even more important factor in ways not anticipated. The trade imbalance which has developed has led to national and state concerns over the competitiveness of American industry. The issues being debated include free trade, fair trade and protectionism; interest rates, the size of the federal deficit and the value of the dollar; comparative wage costs and export subsidies; the role of trade for underdeveloped countries; and quality factors.

A comprehensive review of all these issues is beyond the scope of the Economic Report of the Governor. Since trade is of particular concern to the Administration, however, and a major element in the economy, an overview of its size and composition is warranted, as well as a summary of the role of the State in promoting two-way trade for California firms.

The Value of Trade

In 1970, the value of exports and imports through California customs districts amounted to $8,653 million. By 1980 the total had increased to $56.2 billion, and by 1985 exceeded $94.0 billion. Between 1970 and 1982 trade grew at a fairly steady pace. From 1983 on, exports continued to rise moderately, but imports saw an explosive rise, as illustrated in Table IX-1.

Foreign trade through California accounts for more than 15 percent of all foreign trade nationally. This share has been increasing in recent years, given the rising importance of Pacific Rim countries as trading partners, the location of California, and the size of the California market.

There are three customs districts in California, encompassing more than 40 coastal and inland terminals. The Los Angeles customs district, which covers ports from Newport Bay in the south, Las Vegas to the east and beyond Estero Bay in the north, accounts for the bulk of foreign trade: 61 percent in 1984. The San Francisco district, extending from south of Monterey to the Oregon border and as far east as Salt Lake City, has a 35 percent share. The San Diego district is the smallest, with less than 4 percent of all shipments.

TABLE IX-1
FOREIGN TRADE THROUGH CALIFORNIA, 1970–1985
(In millions)

	Exports	*Imports*	*Total*	*Trade balance*
1970	$4,245	$4,408	$8,653	–$163
1971	3,690	4,896	8,586	–1,206
1972	4,153	6,509	10.661	–2,356
1973	6,647	8,607	15,254	–1,960
1974	9,793	13,140	22,934	–3,347
1975	10,340	11,715	22,055	–1,375
1976	11,525	15,300	26,825	–3,775
1977	12,186	19,113	31,298	–6,927
1978	14,934	21,496	36,430	–6,561
1979	20,303	24,929	45,232	–4,626
1980	26,974	29,414	56,208	–2,619
1981	29,990	31,690	61,680	–1,700
1982	29,120	32,583	61,703	–3,463
1983	29,380	37,944	67,323	–8.564
1984	32,204	49,270	81,474	–17,067
1985	32,396	61,606	94,002	–29,210

Source: Security Pacific National Bank, California Database

It should be noted that the trade data relate to shipments passing through California ports. As such, they do not represent products originating in the State, or with California as a final destination. It is estimated, for instance, that trade between California firms and Canada, if measured on a point of origin or destination basis, would add $5 billion to the trade figure for the State. Most goods going to or coming from Canada pass through customs districts in the state of Washington and are therefore included in the totals for that state.

There is also no information available on the value of California products leaving the United States for Southern or Eastern ports. Similarly, imports into California may ultimately be transshipped to other states. The Bureau of the Census is attempting to gather information on state of origin and final destination effective with data for 1986. Such figures would put the impact of foreign trade on the state's economy into clearer perspective.

The role of foreign trade has received increasing attention in recent years, as its size and potential have increased. Los Angeles International Airport is the 2nd busiest air cargo center in the U.S. In the 1985 federal fiscal year more customs duties were collected at the Port of Los Angeles than at any other port: $2,341 million. San Francisco was in fourth place with $739 million in collections. The Port of Los Angeles handles more imported vehicles than any other customs district—400,000 in 1985.

Californians have benefited from these trade flows. Export markets are important for many industries. For the agricultural sector they are critical. Imports provide consumers with varied products at favorable prices. Trade directly supports a large number of jobs in manufacturing, services, transportation and agriculture.

The very real concerns being expressed about the growing national trade imbalance are evident even in the figures in Table IX-1. It should be noted that trade balances are not as important on a state basis as on a national basis, since a deficit position in one state can be offset by a surplus in another. Nevertheless, given the volume of trade coming through California districts and the size and diversity of the California economy, the trend in this state is certainly indicative of the increasing penetration of imports nationally.

Major Trading Partners

California's trade is heavily oriented to Pacific Rim countries. Japan alone accounts for more than 37 percent of the foreign trade passing through California ports. Imports from Japan amount to 45.1 percent of total imports. The export situation is different, however, with Japan taking only 23 percent of all shipments from the State.

Other Asian trading partners are growing in importance. Taiwan, Hong Kong, Korea, Singapore and Malaysia combined account for approximately one-fourth of both exports and imports of California.

Australia's role in trade is also growing, as is that of Canada. Other significant countries include the United Kingdom, West Germany, France and Italy.

Commodity Flows

Exports and imports through California ports share pronounced similarities. Machinery and mechanical equipment, electrical machinery and equipment and transportation equipment account for more than half of both exports and imports. Within transportation equipment, California ships out primarily aircraft and parts, and imports motor vehicles.

It has been estimated that one-half of the state's high technology products are sold abroad. Exports of electrical equipment are largely computer chips, integrated circuits and equipment for radio/television receiving. Imports for this category include radios, VCRs and TV sets. Machinery equipment sees exports of office equipment and motors, and imports of office equipment and agricultural machinery.

In many cases, exports are of raw

TABLE IX-2
CALIFORNIA'S MAJOR TRADING PARTNERS, 1985
(Value of trade in billions)

Exports		*Imports*		*Total*	
Japan	$7.5	Japan	$27.8	Japan	$35.2
Canada	3.1*	Taiwan	6.7	Taiwan	8.1
Australia	3.0	South Korea	4.2	South Korea	6.8
South Korea	2.7	Canada	3.0*	Canada	6.1*
Mexico	1.9	Hong Kong	2.8	West Germany	4.0
Singapore	1.7	West Germany	2.7	Hong Kong	4.0
United Kingdom	1.6	Mexico	1.7	Australia	3.7
Taiwan	1.5	Singapore	1.5	Mexico	3.5
West Germany	1.3	Malaysia	1.3	Singapore	3.2
Hong Kong	1.2	United Kingdom	1.1	United Kingdom	2.7

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* Estimates for 1984. Shipments attributed to California even though data recorded through Washington customs districts.
Source: Security Pacific National Bank. International Trade Database.

TABLE IX-3
MAJOR COMMODITIES TRADED THROUGH CALIFORNIA PORTS, 1984 AND 1985
(Value in millions)

Commodity	*1984*	*1985*
Exports		
Animal and vegetable products	$3,575	$3,382
Wood and paper	779	741
Textile fibers and products	1,770	1,298
Chemicals and products	3,884	3,861
Petroleum, natural gas and products	1,260	1,401
Nonmetallic minerals and products	670	555
Metals, machinery and transportation equipment	17,840	18,516
Machinery, mechanical eq.	7,290	7,941
Electrical machinery	6,115	5,664
Transportation equipment	2,747	3,355
All other	3,685	4,041
Opticals, scientific eq., photographic equipment	2,361	2,649
Imports		
Animal and vegetable products	2,951	3,448
Wood and paper	862	1,139
Textile fibers and products	3,229	4,133
Wearing apparel	2,595	2,528
Chemicals and products	2,571	2,322
Petroleum, natural gas and products	1,961	1,586
Nonmetallic minerals and products	751	948
Metals, machinery and transportation equipment	31,345	39,775
Electrical machinery	13,284	14,860
Machinery, mechanical eq.	8,185	9,506
Transportation equipment	6,864	11,679
All other	7,561	9,842
Opticals, scientific eq., photographic equipment	1,942	2,545
Shoes, etc.	1,193	1,509
Sporting goods, toys	1,181	1,753

Source: Security Pacific National Bank, International Trade Database

materials or intermediate products for overseas processing into the final product for the American market. Textiles are a case in point. Exports of textile fibers amounted to approximately $1.1 billion in 1985. Imports of wearing apparel totaled $2.5 billion.

Agriculture is important in the export scene, although it accounts for just 11 percent of all exports. One-third of California's farm products are sold in export markets. Fruits and nuts are the largest export category, with shipments totaling $941 million in 1985. This was followed by meats ($531 million), hides ($514 million) and grains ($314 million). Agricultural exports are helped by the fact that the State is the primary, or even sole, producer in the United States of a broad range of specialty products ranging from almonds to Kiwi fruit to pistachios.

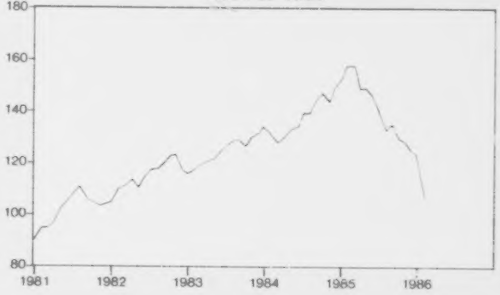
Country Trading Patterns. Japan's role in the primary commodity areas is significant. California imports from Japan were more than 3½ times the level of exports in 1985. This differential has been growing steadily since 1980. Imports from Japan are oriented largely to high technology products such as consumer electronics, office machinery and electronic components, automobiles, other machinery and mechanical equipment, and wearing apparel.

California exports data processing equipment, office machinery, electronic components, aircraft, spacecraft and parts to Japan. In addition, nearly half of all California's agricultural exports go to Japan, including cotton, almonds, citrus, beef and raisins. The potential exists for much greater export volume. For this to be achieved, however, existing barriers to trade must be reduced. Progress in this respect to open the Japanese market to additional products is being made slowly.

In relative terms, the imbalance with Taiwan is even greater than that with Japan. Imports in 1985 of $6.7 billion were concentrated in radios and television sets, wearing apparel, machinery and mechanical equipment and sporting goods and toys. California exported data processing equipment, office machines, aircraft and parts and cotton.

The full potential of trade with South Korea has not been realized up to this time, given the existence of a variety of restrictions. Again, progress toward trade liberalization is being made. Officials in that country have committed themselves to reducing tariffs on hundreds of import items. Their program calls for

Figure IX - 1
Trade Weighted Value, U.S. Dollar
1981 to 1986



the removal of 95 percent of the items on the nation's restricted import list.

Table IX-4 illustrates the concentration of technology products and wearing apparel in imports from leading countries, and the role that high technology plays also in exports from this state.

Issues

The strength of the U.S. dollar has exacerbated the trade imbalance in recent years. In trade weighted terms, the dollar increased by more than 60 percent between 1980 and 1984. This trend held down prices of imports, but raised the cost of exports in overseas markets. The result was a steady deterioration in the merchandise trade balance.

The action of the Group of 5 (the G-5 countries, as they are known, include the United States, United Kingdom, West Germany, France and Japan) to bring about a lowering in the value of the dollar was a response to the growing import balance and increasing calls for protection. The trade weighted dollar stood at 135.07 in January 1984. With steady gains by the U.S. dollar, it peaked at 158.43 in February 1985. By September, it had eased moderately to 139.1. The actions of the G-5 contributed to a more substantial decline to 123.65 by January 1986.

Changes with respect to individual currencies, shown in Table IX-5, have been even more dramatic. Per-

TABLE IX-4
MAJOR PRODUCT CATEGORIES IN FOREIGN TRADE

Country	*Exports to:*	*Imports from:*
Japan	Data processing equipment Office machinery Electronic components Aircraft, spacecraft Agricultural products	Consumer electronics Office machinery Electronic components Motor vehicles Other machinery, mechanical equipment Wearing apparel
Taiwan	Data processing equipment Office machinery Aircraft and parts Cotton	Radio and TV equipment Mechanical equipment Wearing apparel Sporting goods, toys
Korea	Electronic components Telephone equipment Aircraft and parts Cotton	Consumer electronics and electronic components Machinery, mechanical equipment Wearing apparel
Canada	Electronics and computer equipment Fruits and vegetables	Natural gas Pulp and paper Aircraft and parts Precious metals, alloys Petroleum and products Office machines Navigation equipment Chemicals
Hong Kong		Wearing apparel Office machinery Radio and TV equipment
Australia	Computers Medical equipment Defense items Transportation equipment	
Singapore	Petroleum Aircraft parts	Wearing apparel Sporting goods and toys
Mexico	Electrical equipment Aircraft parts Mechanical machinery	Electrical machinery Fresh vegetables Sporting goods and toys Iron and steel products
West Germany	Mechanical machinery Electronic goods Instrumentation Transportation equipment	Mechanical machinery Electronic goods Instrumentation Transportation equipment

Figure IX - 2

Trends in Exchange Rates, 1983–1986

Japanese Yen/$

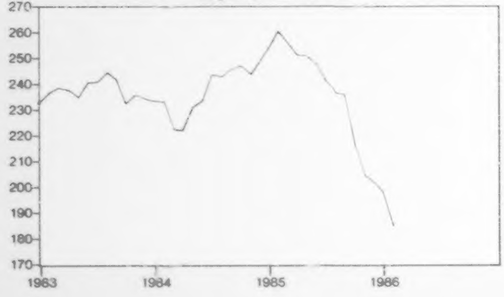


Figure IX - 3

Trends in Exchange Rates, 1983–1986

W. German Deutsch Mark/$

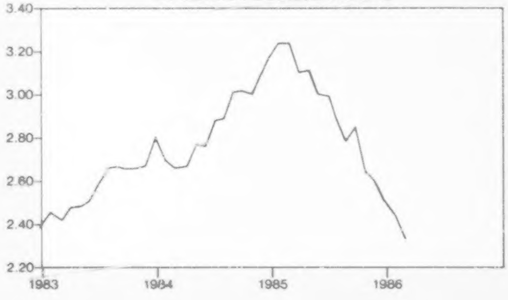


TABLE IX-4 *(Continued)*
MAJOR PRODUCT CATEGORIES IN FOREIGN TRADE

Country	*Exports to:*	*Imports from:*
Malaysia	Electronic equipment	Electronic components Petroleum Rubber Timber products Palm oil Tin

Source: Security Pacific National Bank

TABLE IX-5
EXCHANGE RATES FOR SELECTED CURRENCIES

	January 1985	*March 1986*	*Percent change*
Currency units per US$			
Japanese yen	260.48	181.50	−30
West German mark	3.171	2.270	−28
French franc	9.704	6.972	−28
Swiss franc	2.805	1.896	−32
Canadian dollar	1.324	1.388	+5
Hong Kong dollar	7.811	7.804	nc
Taiwan dollar	39.228	39.160	nc
Korean won	839	886	+6
US$ per currency unit			
British pound	1.4244	1.4755	+4

haps the most significant, considering the importance of trade through California with Japan, is the Yen. The U.S. dollar peaked at approximately 260 yen in February 1985. By early March of this year, the dollar had fallen to less than 180 yen—a decline of 30 percent—and still further depreciation was anticipated.

Depreciation with respect to the West German mark, Swiss franc and French franc was approximately the same. The Canadian dollar, Korean won and British pound actually weakened slightly against the dollar.

The impact on trade has yet to be felt, however. In the first place, foreign producers appear to have sufficient margins to absorb a part of the change in the value of the dollar. In other words, prices of imported goods have not yet increased significantly. There are indications that this situation may end shortly, however. It has been estimated that price increases for imports from Japan will be felt when the U.S. dollar reaches 175 yen. That point was so close as of March 15 that prices were already starting to rise.

Higher prices will have two effects. The first will be to contribute to a slightly higher rate of inflation. The amount of increase may be held in check, however, by the fact that oil prices are still falling. The second effect will be to curtail demand for imports.

Overall, exports will be stimulated by having lower prices in foreign markets, and imports will be curtailed by higher prices in the United States. These developments take time to come about, however. The J-Curve describes the situation which is more likely to arise: after a devaluation of a currency, the country will see its trade balance worsen for a period of time as imports continue to rise in relation to exports. It is likely that by 1987 the J-Curve will have worked through, and the trade balance will begin to show signs of improvement.

Protectionism and Agriculture. Specific problems are difficult to address. Agriculture, for instance, is hampered by trade restrictions which prevent California products from entering foreign markets. In many cases, the highly competitive situation for products from the state appears as a threat to domestic producers in other countries. Trade barriers are erected to exclude products which could work to the detriment of foreign growers.

Figure IX - 4
Trends in Exchange Rates, 1983–1986
French Franc/$

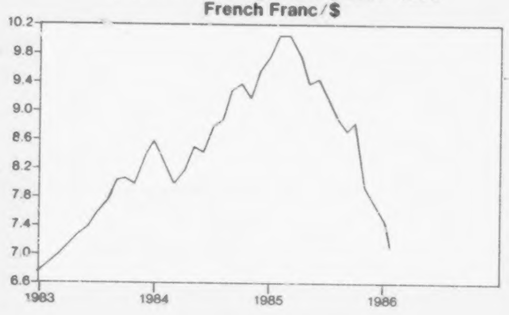
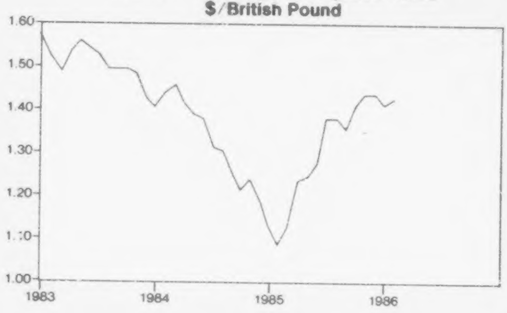


Figure IX - 5
Trends in Exchange Rates, 1983–1986
$/British Pound



Reasons for exclusion are varied. Citrus have been excluded from some Asian countries on the grounds that pest infestations would pose a threat to overseas growers. Livestock sales are hampered by extremely high tariffs. Efforts to break down these and other barriers have had only marginal success to date. As a result there is a growing movement toward the "fair trade" concept. Under this, trade remains totally free unless situations arise which cannot be resolved by normal negotiation. In such instances, complementary measures are adopted to reduce imports from a country which discriminates against another country's exports.

While this has not become widespread as yet, it remains an option if markets cannot be opened by the usual trade mechanism.

State Trade Policy

California has a comprehensive international trade policy designed to increase exports of California products. This effort is headed up by the World Trade Commission, established in 1983. The private-public cooperation in promotional projects has already produced results for a number of small exporters. Expanded efforts in 1986 should lead to still further gains. With continued success, California's large and growing trade imbalance could be reversed.

California's trade policy is designed to:

- Expand and liberalize the international trading system.
- Encourage bilateral and multilateral negotiations to reduce and eliminate restrictive trade practices abroad, including quotas, tariffs, subsidies, boycotts and non-tariff barriers.
- Promote enforcement of trade laws to protect California industry and agriculture against unfair foreign competition.
- Improve cooperation between federal, state and local governments and trade promotion groups.
- Resist efforts to discriminate against foreign imports.
- Promote California's potential for foreign investment.
- Assist exports with access to competitive export financing.

California participated in seven major international trade shows in 1985, including the Japan External Trade Organization fair, the Rep Com trade fair in Mexico City, the Asian Pacific International Trade Fair in Peking and the Paris Air Show. These ventures marked a major advance in trade development activities: it was the first year that a series of coordinated exhibitions under the auspices of the State were undertaken.

There has been progress in a number of areas. Federal officials were encouraged to streamline export licensing procedures for high technology exporters. Enforcement in Taiwan of laws protecting copyrights, patents and computer software was toughened. Both of these should benefit California firms.

Assisting exporters with loan guarantees is not a large program—the maximum guarantee is $350,000 for 85 percent of the transaction—but it has already helped small business firms enter overseas markets.

New directions are being undertaken in 1986. The Governor has launched a $7 million "export offensive" to stimulate overseas demand for California products. Of this amount, $5 million will be used to promote agricultural products. The Export Finance Office will receive $2 million for loan guarantees and insurance.

Plans call for opening trade offices in Tokyo and London to promote exports, establish new agricultural markets, and attract greater foreign investment to California. A trade specialist will be assigned to Washington, D.C. to oversee the interests of the State. Finally, a center to study Pacific Rim issues has been approved for the University of California at San Diego.

Even though California is already a major foreign trade factor in the nation, the potential for further gains is substantial. With success in the program being established, new markets and a greater degree of international cooperation should be possible.

X. Tourism

California's well developed tourist business is a direct result of its broad range of attractions. A wide spectrum of geographical and cultural characteristics is the key to California's appeal. Data from the U.S. Travel Data Center illustrate the scope of the tourism industry, its role in job creation in the State and its potential for further development.

TABLE X-1
TRAVEL-RELATED EXPENDITURES, PAYROLL EMPLOYMENT AND TAX RECEIPTS IN CALIFORNIA, 1980–1984*

	1980	*1981*	*1982*	*1983*	*1984*
Expenditures					
(billions)	$21.9	$23.9	$24.6	$25.9	$28.5
% change	14.4	9.4	3.0	5.5	9.8
Payroll					
(billions)	$5.0	$5.5	$5.7	$6.1	$6.9
% change	10.7	10.2	5.3	7.1	13.1
Employment					
(thousands)	496.3	514.6	511.6	523.9	548.7
% change	4.8	3.7	−0.6	2.2	4.7
State tax receipts					
(millions)	$846.5	$858.0	$888.4	$901.6	$980.4
% change	9.9	1.4	3.5	1.5	8.7
Local tax receipts					
(millions)	$370.4	$459.4	$493.2	$509.4	$564.0
% change	15.5	24.0	7.4	3.3	10.7

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* Travel by U.S. residents only, foreign travelers spend another $2.6 billion annually

Source: U.S. Travel Data Center; California Office of Tourism

During 1984 tourism saw its best year since 1980. Travel expenditures were up 14 percent in 1980. A low point was reached during the recession in 1982, with an increase of only 3 percent. The 10 percent rise in 1984 was an extension of the turnaround which occurred in 1983.

Estimates of the impact of the travel industry on the California economy suggest that in 1984 approximately 549,000 persons were employed in travel-related occupations, with the industry's payroll amounting to $6.9 billion. Travelers in California spent $28.5 billion dollars in the State, 9.8 percent more than in 1983. Business travel accounted for 20.3 percent of the total. International visitors spent an additional $2.6 billion.

Rising levels of employment and income have a positive impact on the tourism industry, as well as other sectors of the economy. Given the low rate of inflation and increases in income, the travel business is expected to have moved ahead steadily in 1985.

California's appeal in the international market was evidenced by the more than 4 million foreign visitors to the State in 1984. California is the most visited state among overseas visitors, edging out New York and Florida. Most of these visitors were from Mexico, Canada and Japan. Spending by overseas visitors amounted to $2.6 billion.

California residents also play a major role in the state's travel industry. It is estimated that Californians account for more travel in the State than do out-of-state tourists—with 96.1 million person-trips, compared to 41.3 million for non-residents.

TABLE X-2
COUNTRIES FROM WHICH THE LARGEST NUMBER OF FOREIGN VISITORS COME TO CALIFORNIA

Country	*Number*
Mexico	718,000
Canada	688,000
Japan	463,120
United Kingdom	214,580
West Germany	198,710
Australia	153,940
France	99,980

Source: U.S. Travel Data Center; California Office of Tourism

Travel Expenditures

Expenditures cover a wide range of services, from air transportation to builders of vacation homes. Due to the difficulty in obtaining accurate information, the amounts reported in the table below are only approximations. It is difficult, for instance, to separate out expenditures which are a direct result of tourism from non-tourism related expenditures. Therefore, the amounts spent in each category cannot all necessarily be attributed to tourist spending.

TABLE X-3
TRAVEL EXPENDITURES BY CATEGORY IN CALIFORNIA, 1984 (Millions of Dollars)

Air transportation	$7,632
Eating and drinking establishments	6,897
Gasoline service stations	3,238
Hotels and motels	3,200
Amusement/recreation services	1,820
General merchandise	1,667
Auto rental	1,378
Builders	825
Automotive dealers	593
Taxicabs	498
Transportation not shown separately	371
Camps/trailer parks	175
Intercity highway passenger transportation	119
Rail transportation	66

Source: U.S. Travel Data Center; California Office of Tourism

Employment

The industry provides employment opportunities ranging from unskilled to highly technical. Nearly half the jobs are in food service—225,220—with lodging establishments employing 95,102, and transportation companies with 85,841. The remainder are in recreation, retail trade and travel arrangement activities.

The travel expenditures and employment estimates reported should be used with caution. The definition of travel and tourism is very broad and may include amounts for routine activities. The U.S. Travel Data Center defines travel as day or overnight trips to places 100 miles or more away from home. All person-trips which fit this definition are assumed to be for tourism purposes. However, the estimates based on these assumptions can be used as indicators of general trends, and there is certainly no denying the importance of the industry in the Cali-

TABLE X-4
TRAVEL-GENERATED EMPLOYMENT IN CALIFORNIA, 1984

	Employment	*Percent of Total*
Total	548,684	100.0
Food services	255,220	46.5
Lodging	95,102	17.3
Public transportation	85,841	15.6
Entertainment/recreation	44,088	8.0
Auto transportation	26,814	4.9
General retail trade	21,966	4.0
Travel arrangement	19,653	3.6

Source: U.S. Travel Data Center; California Office of Tourism

Regional Impacts

The highest concentration of tourism continues to be in the major metropolitan areas of the State, with nearly three-fourths of all visitor expenditures occurring in Los Angeles, San Francisco, San Mateo, San Diego, and Orange counties. However, tourism is becoming important in many outlying regions as well. The counties with the highest growth rates in tourism in 1984 were Alpine (48.4%), Inyo (32.7%), Sutter (28.9%), Napa (28.1%), and Mariposa (25.2%). The Deserts, High Sierra, Central Valley, Inland Empire and Shasta-Cascade regions were focused targets for the California ad campaign in the fall of 1985 and spring of 1986. Extra efforts may boost the share of travel dollars spent in some of these outlying areas.

California Marketing Plan

In 1983 California learned that it could no longer expect significant increases in tourism market share without aggressively competing with other states already engaged in high profile advertising campaigns. While California does score well in awareness among potential travelers, there is still an untapped potential for the industry. Further growth in the industry can be realized through the active promotion of the lesser-known attractions, as well as the traditional, well-known attractions.

The concept of actively promoting California as a place to visit was tested for the first time last year. On March 15, 1985 California embarked on a high profile tourism advertising campaign designed to attract out-of-state visitors and induce Californians to travel within the State. The main components of the 5-year campaign included an overall theme, a specifically designed logo, television commercials, outdoor billboards, and print ads. "The Californias" was chosen as the theme for the campaign because it reflects the extraordinary diversity of the State. The campaign targets 12 regions in California, each with unique geographical and cultural characteristics. The 12 "Californias" are:

The Deserts
The High Sierra
Shasta-Cascade
The North Coast
San Francisco Bay Area
The Gold Country
The Central Valley
The Central Coast
The Inland Empire
Greater Los Angeles
Orange County
San Diego County.

Although final statistics concerning the effectiveness of the first year of the promotional effort are not yet available, preliminary data indicate that tourism may have increased 15 percent with perhaps 3 to 5 percent due to the ad campaign. In terms of jobs and revenues, this would mean an increase of approximately $1.3 billion in travel expenditures, about 26,000 new jobs, an additional $45 million in state tax revenues, and $25 million in local tax revenues. With an upward trend in tourism that was reinforced by a favorable economic environment and the tourism campaign, the prospects for California's travel industry point to continued strength.

TABLE X-5
TRAVEL-RELATED EXPENDITURES, PAYROLL AND EMPLOYMENT IN CALIFORNIA COUNTIES, 1984

	Total Travel Expenditures (Thousands)	*Percent Change From 1983*	*Travel Generated Payroll (Thousands)*	*Percent Change From 1983*	*Travel Generated Employment (Thousands)*	*Percent Change From 1983*
Alameda	$857,306	10.4	$215,431	12.8	14,974	6.2
Alpine	26,764	48.4	5,745	53.6	647	46.4
Amador	24,826	19.0	4,671	20.1	485	16.0
Butte	51,571	4.5	10,489	6.0	1,056	0.0
Calaveras	44,139	19.0	7,803	18.5	769	15.5
Colusa	7,979	21.2	1,660	24.5	184	18.7
Contra Costa	121,287	7.6	34,229	8.2	3,171	1.9
Del Norte	18,762	−19.4	4,115	−17.1	460	−21.8
El Dorado	251,967	−2.3	53,741	−0.2	5,865	−5.9
Fresno	224,674	−0.4	52,405	1.8	4,952	−5.1
Glenn	6,746	−9.4	1,381	−8.5	152	−13.5
Humboldt	99,665	−0.5	22,565	2.1	2,222	−4.8
Imperial	60,048	4.1	13,706	6.6	1,343	−0.5
Inyo	129,204	32.7	28,218	37.1	3,202	30.0
Kern	199,374	7.6	43,954	9.1	4,421	3.1
Kings	9,045	−17.8	2,102	−16.2	202	−23.7
Lake	38,140	−24.9	6,478	−32.0	602	−40.1
Lassen	9,672	−11.3	1,956	−11.0	213	−16.4
Los Angeles	9,138,958	12.2	2,326,009	14.7	161,280	8.7
Madera	26,050	0.5	4,921	−0.4	513	−5.8
Marin	103,534	2.2	25,442	4.3	2,368	−2.7
Mariposa	92,146	25.2	19,735	29.1	2,220	22.7
Mendocino	83,112	0.9	17,747	2.8	1,942	−2.7
Merced	33,973	8.1	7,392	9.3	774	3.8
Modoc	2,683	−30.0	520	−31.9	56	−36.3
Mono	81,149	9.8	15,899	10.5	1.690	5.3
Monterey	720,391	12.0	159,530	15.2	17,704	9.2
Napa	108,841	28.1	24,194	30.8	2,667	24.7
Nevada	77,227	22.1	16,126	24.4	1,742	19.2
Orange	2,151,783	11.3	515,350	14.0	45,536	7.8
Placer	51,446	−5.5	11,259	−3.8	1,204	−9.5
Plumas	22,464	2.5	4,181	1.1	429	−4.4
Riverside	776,646	4.0	161,290	5.1	17,005	−0.5
Sacramento	412,491	8.4	98,252	10.7	9,321	4.7
San Benito	2,891	−18.1	486	−24.4	47	−31.8
San Bernardino	518,240	10.3	99,748	8.8	9,037	3.6
San Diego	2,594,635	7.3	589,058	10.4	54,650	3.8
San Francisco	3,531,751	6.0	854,949	9.2	76,276	2.3
San Joaquin	100,443	10.7	23,435	11.8	2,292	6.3
San Luis Obispo	276,038	6.7	60,014	9.1	6,266	3.2
San Mateo	3,132,117	12.4	821,770	15.3	36,862	9.2
Santa Barbara	374,529	6.5	86,128	9.4	8,981	3.3
Santa Clara	810,702	15.6	192,598	17.5	19,698	11.8
Santa Cruz	113,949	1.5	24,234	2.4	2,541	−3.2
Shasta	107,969	2.8	24,095	5.3	2,491	−0.7
Sierra	3,421	−10.4	511	−20.9	43	−30.5
Siskiyou	30,717	−20.9	6,549	−19.6	717	−24.7
Solano	93,183	9.8	23,677	11.9	1,655	4.9
Sonoma	186,061	9.9	43,134	10.7	4,192	4.9
Stanislaus	73,246	−1.5	16,221	0.3	1,723	−5.4
Sutter	15,230	28.9	3,476	29.8	370	25.0
Tehama	19,138	−5.2	3,738	−5.6	399	−11.0

TABLE X-5 *(Continued)*

TRAVEL-RELATED EXPENDITURES, PAYROLL AND EMPLOYMENT IN CALIFORNIA COUNTIES, 1984

	Total Travel Expenditures (Thousands)	*Percent Change From 1983*	*Travel Generated Payroll (Thousands)*	*Percent Change From 1983*	*Travel Generated Employment (Thousands)*	*Percent Change From 1983*
Trinity	11,259	6.9	2,139	6.5	222	0.9
Tulare	102,535	23.7	22,187	25.9	2,303	21.3
Tuolumne	54,025	10.1	9,330	6.8	882	2.3
Ventura	201,594	6.6	44,600	8.8	4,308	2.6
Yolo	50,148	−4.7	11,992	−1.6	1,270	−7.7
Yuba	8,810	−24.1	1,671	−26.5	177	−31.6
State Total	$28,476,722	9.8	$6,884,246	12.4	$548.684	5.8

Note: Details may not add to totals due to rounding.
Source: U.S. Travel Data Center; California Office of Tourism

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TABLE 1
POPULATION OF THE UNITED STATES AND CALIFORNIA, 1960–85 [°]

Year (July 1)	United States [1]	California [2]	California as percent of United States	Percent change	
				United States	California
1960	179,975,000	15,863,000	8.8	1.6	3.8
1961	182,973,000	16,412,000	9.0	1.7	3.5
1962	185,738,000	16,951,000	9.1	1.5	3.3
1963	188,438,000	17,530,000	9.3	1.5	3.4
1964	191,085,000	18,026,000	9.4	1.4	2.8
1965	193,460,000	18,464,000	9.5	1.2	2.4
1966	195,501,000	18,831,000	9.6	1.1	2.0
1967	197,374,000	19,174,700	9.7	1.0	1.8
1968	199,312,000	19,432,000	9.7	1.0	1.3
1969	201,306,000	19,744,700	9.8	1.0	1.6
1970	203,984,000	20,039,000	9.8	1.3	1.5
1971	206,827,000	20,346,000	9.8	1.4	1.5
1972	209,284,000	20,585,000	9.8	1.2	1.2
1973	211,357,000	20,868,000	9.9	1.0	1.4
1974	213,342,000	21,173,000	9.9	0.9	1.5
1975	215,465,000	21,537,000	10.0	1.0	1.7
1976	217,563,000	21,935,000	10.1	1.0	1.8
1977	219,760,000	22,350,000	10.2	1.0	1.9
1978	222,095,000	22,839,000	10.3	1.1	2.2
1979	224,567,000	23,255,000	10.4	1.1	1.8
1980	227,255,000	23,780,000	10.5	1.2	2.3
1981	229,637,000	24,265,000	10.6	1.0	2.0
1982	231,996,000	24,786,000	10.7	1.0	2.2
1983	234,284,000	25,311,000	10.8	1.0	2.1
1984	236,495,000	25,795,000	10.9	0.9	1.9
1985	238,740,000	26,365,000	11.0	1.0	2.2

[°] Includes members of the Armed Forces stationed in the area.

[1] Source: 1960–84 U.S. Bureau of the Census, Current Population Reports P-25.

[2] Source: 1960–69 California Department of Finance, Population Research Unit.
1970–85 U.S. Bureau of Census Current Population Reports P-25.

TABLE 2

COMPONENTS OF CHANGE IN CALIFORNIA'S CIVILIAN POPULATION, 1960–85

Year (July 1)	Civilian population [1]	Net change	Net migration [2]	Natural increase [3]	Gains from military
1960	15,550,000	586,000	351,000	231,000	+4,000
1961	16,108,000	558,000	308,000	244,000	+6,000
1962	16,634,000	526,000	306,000	240,000	−20,000
1963	17,197,000	563,000	320,000	234,000	+9,000
1964	17,706,000	509,000	308,000	230,000	−29,000
1965	18,143,000	437,000	232,000	217,000	−12,000
1966	18,459,000	316,000	179,000	185,000	−48,000
1967	18,796,000	337,000	198,000	184,000	−45,000
1968	19,046,000	250,000	102,000	176,000	−28,000
1969	19,354,000	308,000	118,000	185,000	+5,000
1970	19,663,000	309,000	96,000	193,000	+20,000
1971	20,002,000	339,000	128,000	184,000	+27,000
1972	20,264,000	262,000	98,000	144,000	+20,000
1973	20,557,000	293,000	161,000	130,000	+2,000
1974	20,873,000	316,000	182,000	131,000	+3,000
1975	21,248,000	375,000	228,000	145,000	+2,000
1976	21,652,000	404,000	248,000	153,000	+3,000
1977	22,073,000	421,000	247,000	174,000	—
1978	22,569,000	496,000	319,000	177,000	—
1979	22,988,000	419,000	228,000	191,000	—
1980	23,510,000	522,000	312,000	210,000	—
1981	23,992,000	482,000	257,000	225,000	—
1982	24,499,000	507,000	268,000	239,000	—
1983	25,024,000	525,000	278,000	247,000	—
1984	25,497,000	473,000	227,000	246,000	—
1985	26,062,000	565,000	310,000	255,000	—

[1] Source: U.S. Bureau of Census.

[2] Source: California Department of Finance, Population Research Unit Report 85-E-2.

TABLE 3
TOTAL POPULATION OF CALIFORNIA COUNTIES, JULY 1, 1985

County	Total Population 7-1-85	County	Total Population 7-1-85
Alameda	1,197,000	Placer	138,400
Alpine	1,200	Plumas	19,200
Amador	23,400	Riverside	820,600
Butte	164,000	Sacramento	893,800
Calavaras	26,800	San Benito	30,500
Colusa	14,700	San Bernardino	1,086,400
Contra Costa	717,600	San Diego	2,131,600
Del Norte	18,800	San Francisco	735,000
El Dorado	104,700	San Joaquin	416,700
Fresno	576,200	San Luis Obispo	190,100
Glenn	23,200	San Mateo	616,600
Humboldt	113,000	Santa Barbara	334,600
Imperial	106,000	Santa Clara	1,400,100
Inyo	18,400	Santa Cruz	214,300
Kern	480,600	Shasta	131,700
Kings	84,900	Sierra	3,500
Lake	48,300	Siskiyou	42,800
Lassen	24,600	Solano	275,200
Los Angeles	8,085,300	Sonoma	335,400
Madera	76,300	Stanislaus	304,900
Marin	226,100	Sutter	58,500
Mariposa	13,400	Tehama	44,300
Mendocino	73,800	Trinity	13,600
Merced	160,500	Tulare	280,500
Modoc	9,500	Tuolumne	40,800
Mono	9,300	Ventura	600,200
Monterey	329,700	Yolo	124,000
Napa	104,000	Yuba	54,300
Nevada	68,300		
Orange	2,127,900	Sum of Counties	26,365,100

Note: Revisions for prior years available on request.
Source: California Department of Finance, Population Research Unit.

TABLE 4

CIVILIAN LABOR FORCE, CALIFORNIA, 1967–85

(In thousands)

Year and month	Labor force [a]	Employed [b]	Unemployed [c]	Percent unemployed
1967	7,679	7,242	437	5.7
1968	7,792	7,369	423	5.4
1969	7,919	7,508	411	5.2
1970	8,167	7,575	592	7.3
1971	8,407	7,669	739	8.8
1972	8,653	7,996	656	7.6
1973	8,910	8,286	624	7.0
1974	9,317	8,638	679	7.3
1975	9,539	8,598	941	9.9
1976	9,896	8,990	906	9.2
1977	10,367	9,513	853	8.2
1978	10,911	10,137	775	7.1
1979	11,268	10,566	702	6.2
1980	11,584	10,794	790	6.8
1981	11,812	10,938	875	7.4
1982	12,178	10,967	1,210	9.9
1983	12,281	11,095	1,187	9.7
1984	12,619	11,638	981	7.8
1985	12,937	12,007	931	7.2
Adjusted for seasonal variation				
1984 January	12,355	11,318	1,037	8.4
February	12,360	11,348	1,012	8.2
March	12,435	11,402	1,033	8.3
April	12,456	11,489	967	7.8
May	12,527	11,549	978	7.8
June	12,673	11,726	947	7.5
July	12,662	11,660	1,002	7.9
August	12,722	11,765	957	7.5
September	12,748	11,741	1,007	7.9
October	12,754	11,808	946	7.4
November	12,774	11,833	941	7.4
December	12,803	11,875	928	7.2
1985 January	12,930	11,987	943	7.3
February	12,938	12,045	893	6.9
March	12,949	12,033	916	7.1
April	12,962	12,010	952	7.3
May	12,884	11,958	926	7.2
June	12,902	11,926	976	7.6
July	12,911	11,977	934	7.2
August	12,873	11,940	933	7.2
September	12,932	11,983	949	7.3
October	13,070	12,076	994	7.6
November	12,944	12,056	888	6.9
December	12,951	12,086	865	6.7

[a] Detail may not add to total because of rounding.

[b] Includes wage and salary workers, employers, own-account workers, and unpaid family workers. Excludes workers directly involved in work stoppages who receive no pay for the payroll period which includes 12th of the month.

[c] Excludes the potential or latent supply of workers not active in the labor market and workers directly involved in work stoppages.

Source: California Employment Development Department.

TABLE 5

WAGE AND SALARY WORKERS IN NONAGRICULTURAL ESTABLISHMENTS BY MAJOR INDUSTRY DIVISION, CALIFORNIA, 1972–85 [a]

(In thousands)

Year and month	Total	Mineral extraction	Construction	Manufacturing	Transportation and utilities	Trade	Finance, insurance, and real estate	Services	Government
1972	7,209.9	29.2	312.4	1,542.7	454.1	1,608.6	409.3	1,361.0	1,492.7
1973	7,621.9	30.5	333.4	1,660.7	467.0	1,703.2	431.6	1,470.6	1,524.8
1974	7,834.3	32.7	317.8	1,701.3	470.7	1,751.9	444.8	1,529.1	1,586.0
1975	7,847.2	33.9	285.9	1,593.7	458.1	1,786.3	446.4	1,572.4	1,670.6
1976	8,154.2	34.7	301.3	1,659.8	463.9	1,875.6	468.7	1,654.6	1,695.6
1977	8,599.7	35.6	350.4	1,737.8	476.5	1,982.4	505.4	1,770.9	1,740.7
1978	9,199.8	37.1	401.9	1,884.6	506.5	2,126.0	553.2	1,937.4	1,753.1
1979	9,664.6	39.3	448.7	2,012.7	534.7	2,223.8	595.9	2,074.6	1,735.0
1980	9,848.8	43.5	428.3	2,018.2	546.3	2,266.9	623.1	2,158.8	1,763.9
1981	9,985.3	49.2	407.6	2,032.3	554.8	2,301.6	642.9	2,240.5	1,756.4
1982	9,810.3	50.4	349.0	1,957.7	542.8	2,275.3	642.4	2,257.7	1,735.2
1983	9,965.8	48.1	369.3	1,949.3	536.9	2,343.9	661.7	2,332.2	1,724.3
1984	10,573.8	50.0	445.2	2,065.5	554.6	2,507.4	694.2	2,509.5	1,747.4
1985	10,994.3	49.4	492.6	2,083.7	572.0	2,624.4	724.0	2,654.0	1,794.5

[a] Does not include employers, own-account workers, unpaid family workers, domestic servants, and agricultural workers.
Data from interim series on employment prepared by EDD
Source: California Employment Development Department.

TABLE 6

WAGE AND SALARY WORKERS[a] IN NONAGRICULTURAL ESTABLISHMENTS, BY MAJOR INDUSTRY DIVISION, SELECTED AREAS, 1984 AND 1985

(In thousands)

Area and year	Total	Mineral extraction	Construction	Manufacturing	Transportation and utilities	Trade	Finance, insurance, and real estate	Services	Government
Anaheim-Santa Ana									
1984	950.7	3.9	44.2	237.6	31.3	237.7	69.6	221.7	104.8
1985	993.5	3.3	50.2	242.0	32.8	251.1	74.4	232.3	107.5
Bakersfield									
1984	148.1	15.6	8.2	10.3	7.6	38.5	5.6	27.8	34.4
1985	153.3	16.4	9.0	10.4	8.3	38.6	5.8	28.9	36.0
Fresno									
1984	186.3	1.1	10.5	21.4	10.3	48.0	12.8	41.5	40.6
1985	191.4	1.0	11.1	21.6	10.2	48.8	13.1	43.6	42.1
Los Angeles-Long Beach									
1984	3,726.2	12.6	109.0	887.9	197.6	886.3	251.0	934.2	467.7
1985	3,824.8	12.7	118.5	895.1	200.5	891.8	259.5	968.1	478.7
Modesto									
1984	89.0	.1	5.2	19.7	4.4	22.6	3.9	18.3	15.0
1985	92.9	.1	5.9	20.1	4.2	23.6	4.0	19.7	15.3
Oakland									
1984	735.0	2.0	41.5	103.0	46.3	185.1	43.5	161.6	152.1
1985	764.2	2.0	44.4	103.7	49.7	192.4	46.5	171.1	154.5
Oxnard-Ventura									
1984	176.6	3.4	8.1	27.9	7.1	44.4	10.9	36.8	38.0
1985	185.7	3.3	8.8	28.6	8.3	47.8	10.4	39.2	39.3
Riverside-San Bernardino									
1984	479.5	1.3	32.6	61.3	27.6	123.7	20.9	107.1	105.0
1985	515.9	1.3	37.9	66.0	29.3	132.2	22.0	118.8	108.4
Sacramento									
1984	465.8	.8	23.1	33.1	23.4	113.7	26.8	94.3	150.7
1985	491.5	.9	26.7	34.8	23.6	120.0	28.5	101.2	155.7
Salinas-Seaside-Monterey									
1984	95.5	.3	3.5	8.6	4.7	26.4	4.8	22.5	24.7
1985	100.5	.4	3.6	9.3	5.1	27.7	4.7	24.1	25.6
San Diego									
1984	733.5	.6	41.4	116.0	30.5	173.4	48.5	181.3	141.8
1985	781.6	.8	47.1	121.8	31.3	185.6	51.7	197.4	146.0
San Francisco									
1984	902.5	2.5	29.8	85.4	85.1	202.8	111.8	251.9	133.1
1985	917.1	2.0	31.6	81.6	83.4	210.7	111.5	261.7	134.7

TABLE 6—Continued

WAGE AND SALARY WORKERS[a] IN NONAGRICULTURAL ESTABLISHMENTS, BY MAJOR INDUSTRY DIVISION, SELECTED AREAS, 1984 AND 1985

(In thousands)

Area and year	Total	Mineral extraction	Construction	Manufacturing	Transportation and utilities	Trade	Finance, insurance, and real estate	Services	Government
San Jose									
1984	776.2	.2	30.1	293.7	21.8	144.1	30.9	176.8	78.7
1985	788.9	.2	32.7	291.0	22.1	150.3	31.7	180.5	80.4
Santa Barbara-Santa Maria-Lompoc									
1984	134.2	1.5	6.1	23.7	5.4	31.4	7.0	34.3	24.8
1985	138.6	1.5	6.4	23.4	5.5	33.2	7.4	35.8	25.6
Santa Rosa-Petaluma									
1984	108.5	.7	6.5	17.8	5.3	27.7	7.1	23.3	20.1
1985	113.7	.7	7.0	18.1	5.4	29.3	7.7	24.8	20.8
Stockton									
1984	125.9	.1	6.7	21.1	8.3	29.2	7.4	25.8	27.3
1985	131.3	.1	7.4	21.6	8.3	30.5	8.0	27.1	28.3
Vallejo-Fairfield-Napa									
1984	108.9	.4	6.0	10.4	4.3	25.8	4.0	23.0	34.9
1985	113.6	.4	6.8	10.9	4.4	26.7	4.6	24.5	35.4

[a] Does not include employers, own-account workers, unpaid family workers, domestic servants, and agricultural workers.

Area definitions:

Anaheim-Santa Ana—Orange County.
Bakersfield—Kern County.
Fresno—Fresno County.
Los Angeles-Long Beach—Los Angeles County.
Modesto—Stanislaus County.
Oakland—Alameda and Contra Costa Counties.
Oxnard-Ventura—Ventura County.
Riverside-San Bernardino—Riverside and San Bernardino Counties.
Sacramento—El Dorado, Placer, Sacramento, and Yolo Counties.
Salinas-Seaside-Monterey—Monterey County.
San Diego—San Diego County.
San Francisco—Marin, San Francisco, and San Mateo Counties.
San Jose—Santa Clara County.
Santa Barbara-Santa Maria-Lompoc—Santa Barbara County.
Santa Rosa-Petaluma—Sonoma County.
Stockton—San Joaquin County.
Vallejo-Fairfield-Napa—Napa and Solano Counties.

Source: California Employment Development Department.

TABLE 7

WAGE AND SALARY WORKERS IN MANUFACTURING, CALIFORNIA, 1980–85

(In thousands)

Industry	1980	1981	1982	1983	1984	1985
Total	2,018.2	2,032.3	1,957.7	1,949.3	2,065.5	2,089.5
Nondurable goods	638.8	648.3	628.1	622.0	639.2	637.5
Durable goods	1,379.3	1,384.0	1,329.6	1,327.3	1,426.3	1,452.0
Nondurable goods						
Food and kindred products	186.6	186.8	182.5	173.4	173.3	170.6
Canned, cured, frozen sea foods	10.4	10.3	9.1	8.9	6.8	5.0
Meat products	20.2	18.9	18.6	16.7	17.1	17.5
Dairy products	13.9	14.7	14.0	13.5	13.0	12.6
Canned and preserved fruits and vegetables	56.9	56.1	55.4	52.0	53.6	51.8
Grain mill products	8.5	8.4	8.3	8.3	8.2	8.0
Bakery products	19.0	19.0	19.2	19.0	19.4	19.8
Beverages	24.8	25.9	26.0	25.4	25.2	25.9
Other food and kindred products	32.9	33.7	31.8	29.7	30.0	30.1
Textile mill products	14.4	13.7	12.4	13.0	13.7	13.7
Knitting mills	2.7	2.5	2.5	2.7	3.3	3.6
Floor covering mills	5.4	5.0	4.0	3.8	4.0	4.0
Other textile mill products	6.3	6.2	5.9	6.4	6.4	6.1
Apparel and other textile products	106.5	107.7	102.4	103.2	108.0	107.5
Men's and boys' furnishings	13.4	13.1	11.9	12.0	11.5	9.6
Women's and misses' outerwear	63.6	64.4	62.6	63.1	67.0	69.9
Women's and children's undergarments	4.4	4.5	4.1	4.0	4.1	3.7
Children's outerwear	1.6	1.8	2.0	2.1	2.3	2.1
Other apparel and textile products	23.6	24.0	21.8	21.9	23.1	22.3
Paper and allied products	38.9	38.5	37.3	37.0	38.7	40.1
Miscellaneous converted paper products	14.9	14.7	15.2	15.2	15.8	16.2
Paperboard containers and boxes	17.3	16.9	15.8	15.5	16.7	17.8
Other paper and allied products	6.7	6.9	6.3	6.3	6.2	6.2
Printing and publishing	123.2	125.1	124.5	128.3	136.5	139.4
Newspapers	42.8	43.2	42.5	43.2	46.4	47.7
Commercial printing	49.3	48.9	48.4	50.7	53.3	54.3
Other printing and publishing	31.2	33.0	33.6	34.5	36.8	37.4
Chemicals and allied products	66.1	68.3	65.7	63.8	64.1	63.8
Industrial inorganic chemicals	7.3	7.6	7.5	7.1	7.4	7.4
Plastics materials and synthetics	3.6	3.5	3.4	3.3	3.3	3.3
Drugs	17.8	19.3	19.4	19.5	19.3	18.7
Soaps, cleaners, toilet goods	13.9	14.5	13.3	12.1	12.4	12.5
Paints and allied products	7.4	7.4	6.7	6.7	7.2	7.6
Agricultural chemicals	5.4	5.3	4.6	4.1	3.9	3.6
Other chemicals and allied products	10.7	10.8	10.9	10.9	10.7	10.8
Petroleum and coal products	27.7	31.0	31.7	31.0	30.0	29.1
Petroleum refining	24.1	27.4	28.2	27.5	26.5	25.9
Other petroleum and coal products	3.6	3.6	3.5	3.6	3.5	3.3
Rubber and plastics products	64.7	65.1	61.2	62.8	66.5	65.6
Tires and inner tubes	2.6	1.5	1.4	1.3	1.3	1.2
Footwear and fabricated products	10.0	10.3	9.7	10.0	10.4	10.0
Miscellaneous plastics products	51.0	52.3	49.1	50.5	54.1	53.5
Other rubber and plastics products	1.2	1.1	1.0	.9	.8	.9
Leather and leather products	10.9	12.0	10.5	9.5	8.5	7.7

TABLE 7—Continued

WAGE AND SALARY WORKERS IN MANUFACTURING, CALIFORNIA, 1980–85

(In thousands)

Industry	1980	1981	1982	1983	1984	1985
Durable goods						
Lumber and wood products excluding furniture	61.1	57.1	46.3	50.6	55.1	56.3
Logging camps, sawmills, planing mills	24.2	21.8	18.1	19.7	20.9	20.4
Millwork, plywood, structural members	16.3	15.2	12.6	14.3	16.9	18.4
Wooden containers	4.6	4.2	3.8	3.7	4.0	3.9
Other lumber and wood products	16.0	15.9	11.9	12.9	13.2	13.6
Furniture and fixtures	54.0	55.0	49.0	51.6	59.2	59.4
Household furniture	33.8	33.6	29.3	31.1	34.9	33.9
Partitions and fixtures	6.9	6.9	6.3	6.8	8.4	8.3
Other furniture and fixtures	13.3	14.5	13.4	13.8	16.0	17.2
Stone, clay, and glass products	57.4	56.7	50.4	48.7	51.6	51.0
Glass and glass products	17.7	17.6	16.3	15.8	15.8	15.2
Hydraulic cement	3.7	3.7	3.7	3.3	3.2	2.8
Structural clay products	3.3	3.2	2.5	2.4	2.3	2.2
Pottery and related products	6.1	6.0	4.7	4.5	4.7	4.2
Concrete, gypsum, plaster products	16.5	16.1	14.0	14.2	16.5	17.3
Other stone, clay, and glass products	10.2	10.1	9.3	8.4	9.1	9.3
Primary metal industries	57.3	54.9	47.6	43.5	42.6	41.6
Blast furnace and basic steel products	17.7	16.1	12.3	9.9	7.7	7.8
Iron and steel foundries	8.8	8.9	8.0	6.5	6.7	6.4
Nonferrous rolling and drawing	15.8	14.6	13.0	13.4	13.7	13.4
Nonferrous foundries	10.4	10.5	9.7	9.7	10.3	9.8
Other primary metals	4.7	4.7	4.5	4.0	4.2	4.1
Fabricated metal products	155.0	152.3	138.8	137.9	146.7	147.3
Can and shipping containers	10.5	9.8	9.1	8.9	8.4	8.4
Cutlery, hand tools, hardware	16.7	15.7	14.5	14.1	15.0	15.0
Plumbing and heating excluding electric	7.6	7.4	6.7	6.7	7.4	8.0
Fabricated structural products	50.8	50.2	45.3	44.5	47.0	46.9
Screw machine products, bolts, etc.	15.5	15.0	12.1	11.4	12.4	13.1
Forgings and stampings	14.3	14.2	13.5	14.2	15.7	15.5
Metal services	19.9	20.0	18.3	18.9	20.3	19.9
Other fabricated metal products	19.8	19.9	19.3	19.2	20.5	20.4
Machinery excluding electrical	236.0	234.5	227.6	223.4	239.2	231.0
Farm and garden	5.5	5.7	5.0	4.7	4.6	4.4
Construction and related	21.7	23.3	20.8	14.1	14.3	13.5
Metalworking	20.0	18.9	16.8	16.3	17.8	18.3
Special industry	13.1	13.4	13.0	12.6	13.7	13.6
General industry	21.6	20.8	19.5	18.3	19.7	19.7
Office, computing, accounting	97.9	98.4	103.9	109.9	117.9	109.6
Refrigeration and service industry	7.7	8.0	8.3	8.4	8.6	9.2
Other machinery excluding electrical	48.4	45.9	40.4	39.2	42.6	42.8
Electrical equipment and supplies	340.9	351.4	358.0	365.4	406.3	420.5
Electrical distribution equipment	9.6	9.3	8.5	8.0	10.7	11.7
Industrial apparatus	14.8	14.3	13.2	12.1	14.4	14.1
Household appliances	5.6	6.2	4.7	4.5	3.9	4.0
Lighting and wiring equipment	23.3	22.3	20.2	20.0	22.0	22.5
Radio and TV receiving equipment	17.6	17.3	14.9	13.5	13.7	13.2
Communication equipment	137.3	116.5	157.2	158.7	167.2	180.9
Electronic components and accessories	124.2	126.1	131.0	139.8	165.3	165.1
Miscellaneous electrical equipment and supplies	8.5	9.5	8.3	8.9	9.2	9.1

TABLE 7—Continued

WAGE AND SALARY WORKERS IN MANUFACTURING, CALIFORNIA, 1980–85

(In thousands)

Industry	1980	1981	1982	1983	1984	1985
Transportation and equipment	278.1	278.0	266.3	261.9	277.5	296.1
Motor vehicles and equipment	34.6	35.0	30.6	30.3	33.4	34.4
Aircraft and parts	151.0	147.9	137.3	133.3	141.1	154.3
Ship and boat building and repairing	23.0	22.9	22.4	18.7	18.2	17.6
Guided missiles, space vehicles and parts	58.6	62.7	66.4	69.3	73.8	78.3
Other transportation equipment	10.9	9.5	9.6	10.4	11.1	11.6
Instruments and related products	99.9	102.6	102.4	103.7	110.1	113.4
Measuring and controlling	46.0	48.2	47.6	47.5	51.1	52.9
Other instruments and related products	54.0	54.4	54.8	56.2	59.0	60.5
Miscellaneous manufacturing	39.6	41.5	43.2	40.6	37.9	35.5
Toys and sporting goods	16.1	18.0	21.0	18.3	15.1	13.0
Other miscellaneous manufacturing	23.5	23.6	22.2	22.3	22.9	22.5

Source: California Employment Development Department.
(Official U.S. Bureau of Labor Statistics series. The text portion of the report and Appendix Table 5 use the interim series prepared by EDD.)

Table 8

AEROSPACE EMPLOYMENT IN CALIFORNIA, 1960–85

(In thousands)

Year and Month[a]	Total Aerospace	Office Computing and Accounting Machines	Radio and TV Receiving Equipment	Communication Equipment	Electronic Components and Accessories	Aircraft and Parts	Guided Missiles and Space Vehicles	Measuring and Controlling Instruments
1960	422.5	23.3	9.9	92.2	29.1	181.4	68.4	18.2
1961	425.8	23.6	10.6	98.8	31.2	166.0	76.2	19.5
1962	457.6	25.4	12.0	112.0	35.4	161.0	89.6	22.1
1963	458.3	25.6	11.9	110.4	34.8	160.1	93.7	21.8
1964	433.5	26.9	11.0	98.1	32.4	153.6	90.8	20.8
1965	434.3	30.2	10.8	95.7	34.9	155.3	86.0	21.4
1966	495.0	33.8	13.7	103.3	47.7	181.3	92.1	23.1
1967	542.4	38.8	15.0	117.6	52.0	198.6	97.4	23.0
1968	544.3	42.7	15.5	117.0	52.4	195.4	96.9	24.6
1969	528.3	53.4	16.7	114.4	57.7	178.3	82.6	25.3
1970	466.3	58.3	15.1	102.9	53.0	148.3	64.5	24.3
1971	409.6	52.3	14.2	91.1	45.9	130.3	52.9	23.0
1972	427.4	52.1	15.0	95.1	52.0	135.4	52.8	25.1
1973	462.8	61.4	100.0	100.0	68.9	135.6	51.0	30.5
1974	485.8	69.7	15.8	102.6	78.5	134.9	51.7	32.7
1975	450.5	63.3	14.9	103.0	65.7	121.3	52.0	30.2
1976	449.6	62.3	16.1	105.4	74.8	108.5	50.0	32.5
1977	465.2	67.0	16.6	108.4	82.3	109.4	48.0	33.5
1978	518.8	80.1	17.8	119.1	97.3	117.5	49.6	37.4
1979	590.6	92.2	18.0	129.6	114.6	140.4	54.0	41.9
1980	632.6	97.9	17.6	137.3	124.2	151.0	58.6	46.0
1981	647.1	98.4	17.3	146.5	126.1	147.9	62.7	48.2
1982	658.3	103.9	14.9	157.2	131.0	137.3	66.4	47.6
1983	672.0	109.9	13.5	158.7	139.8	133.3	69.3	47.5
1984	730.0	117.9	13.7	167.2	165.3	141.1	73.8	51.1
1985	754.2	109.6	13.2	180.9	165.1	154.3	78.3	52.9
1985 January	751.7	115.0	13.8	174.7	170.8	147.1	77.1	53.2
February	751.1	114.0	14.0	174.8	169.6	148.0	77.3	53.4
March	752.9	113.7	13.8	175.5	169.5	149.4	77.5	53.5
April	753.1	111.9	13.6	178.4	168.4	150.3	77.6	52.9
May	753.7	111.1	13.4	178.6	167.6	151.8	78.2	53.0
June	755.2	110.3	13.1	180.6	165.7	153.6	78.8	53.1
July	754.3	108.9	13.0	182.8	163.8	154.6	77.9	53.3
August	755.5	107.9	12.8	184.2	162.5	156.4	78.8	52.9
September	754.5	106.0	12.7	184.4	161.9	158.2	78.7	52.6
October	754.6	105.6	12.8	184.8	161.1	159.1	78.9	52.3
November	755.6	105.4	12.8	185.3	160.3	160.4	79.1	52.3
December	758.3	105.2	12.6	186.8	160.0	162.1	79.3	52.3

[a] Data from 1960 through 1971 calculated using aerospace categories as defined by 1972 SIC codes. Data from 1972 through 1980 represent the official benchmarked aerospace series based upon the 1972 SIC codes.

Source: California Employment Development Department.

TABLE 9

AVERAGE WEEKLY AND HOURLY EARNINGS AND AVERAGE HOURS WORKED PER WEEK, PRODUCTION AND RELATED WORKERS IN MANUFACTURING, CALIFORNIA AND UNITED STATES, 1960–85 [°]

Year	California			United States		
	Average weekly earnings	Average hourly earnings	Average hours per week	Average weekly earnings	Average hourly earnings	Average hours per week
1960	$104.28	$2.62	39.8	$89.72	$2.26	39.7
1961	108.53	2.72	39.9	92.34	2.32	39.8
1962	112.44	2.79	40.3	96.15	2.38	40.4
1963	115.78	2.88	40.2	99.22	2.45	40.5
1964	119.29	2.96	40.3	102.97	2.53	40.7
1965	123.83	3.05	40.6	107.53	2.61	41.2
1966	128.93	3.16	40.8	112.34	2.72	41.3
1967	132.92	3.29	40.4	114.49	2.82	40.6
1968	138.63	3.44	40.3	122.51	3.01	40.7
1969	145.89	3.62	40.3	129.51	3.19	40.6
1970	150.48	3.80	39.6	133.33	3.35	39.8
1971	158.79	4.02	39.5	142.44	3.57	39.9
1972	170.43	4.25	40.1	154.71	3.82	40.5
1973	178.93	4.44	40.3	166.46	4.09	40.7
1974	188.97	4.76	39.7	177.20	4.43	40.0
1975	205.67	5.22	39.4	190.30	4.83	39.4
1976	221.92	5.59	39.7	208.80	5.22	40.0
1977	240.60	6.00	40.1	228.50	5.67	40.3
1978	257.84	6.43	40.1	249.27	6.17	40.4
1979	280.50	7.03	39.9	269.54	6.70	40.2
1980	304.15	7.70	39.5	288.62	7.27	39.7
1981	338.98	8.56	39.6	318.00	7.99	39.8
1982	362.21	9.24	39.2	330.65	8.50	38.9
1983	380.80	9.52	40.0	354.48	8.84	40.1
1984	393.73	9.77	40.3	373.63	9.18	40.7
1985	406.82	10.12	40.2	385.56	9.52	40.5

[°] Averages are based upon data for full-time and part-time production and related workers in production and other departments, such as shipping, maintenance, and warehousing. Overtime pay and premium wages for late-shift work are included.

Source: California Employment Development Department; U.S. Department of Labor, Bureau of Labor Statistics.

TABLE 10

AVERAGE WEEKLY AND HOURLY EARNINGS AND AVERAGE HOURS WORKED PER WEEK, IN SELECTED NONMANUFACTURING INDUSTRIES, CALIFORNIA, 1985[a]

Industry	Average weekly earnings	Average hourly earnings	Average hours per week
Mineral extraction			
Oil and gas extraction	$557.00	$13.96	39.9
Nonmetallic minerals, except fuels	634.62	15.11	42.0
Contract construction			
General building contractors	668.45	18.99	35.2
Heavy construction contractors, except building	688.75	18.03	38.2
Special trade contractors			
Plumbing, heating, air conditioning	729.07	19.92	36.6
Painting, paper hanging, decorating	632.87	19.12	33.1
Electrical work	779.20	20.89	37.3
Masonry, stonework, and plastering	610.88	18.40	33.2
Transportation and utilities			
Electric, gas, and sanitary services	655.94	15.73	41.7
Trade			
Wholesale	428.29	11.01	38.9
Retail (excluding eating/drinking)	288.79	9.11	31.7
Services			
Motion picture production	772.68	20.55	37.6

[a] Averages are based upon data for full-time and part-time production and related workers in mineral extraction, construction workers in construction, and nonsupervisory employees and working supervisors in other industries. Overtime hours and pay and premium wages for late-shift work are included.

Source: California Employment Development Department.

TABLE 11

PERSONAL INCOME IN CALIFORNIA, TOTAL AND PER CAPITA, 1960–85

Year	Total			Per capita[a]		
	Amount (In millions)	Percent change	Percent of U.S.	Amount	Percent change	Percent of U.S. average
1960	$43,303	–	10.9	$2,729	–	123.1
1961	45,676	5.5	11.0	2,769	1.5	122.3
1962	49,122	7.5	11.2	2,877	3.9	121.4
1963	52,468	6.8	11.3	2,970	3.2	121.0
1964	56,772	8.2	11.5	3,128	5.3	120.7
1965	60,744	6.9	11.3	3,266	4.4	117.8
1966	65,882	8.5	11.3	3,494	7.0	117.2
1967	70,735	7.4	11.3	3,689	5.6	116.7
1968	77,330	9.5	11.3	3,987	8.1	116.2
1969	84,402	9.3	11.3	4,282	7.4	115.3
1970	90,295	7.0	11.2	4,510	5.3	114.3
1971	95,653	5.9	11.1	4,701	4.2	112.8
1972	104,191	8.9	11.0	5,062	7.7	112.1
1973	114,690	10.1	10.8	5,496	8.6	109.7
1974	128,142	11.7	11.0	6,052	10.1	111.1
1975	141,046	10.1	11.2	6,549	8.2	112.1
1976	156,940	11.3	11.3	7,155	9.3	112.4
1977	175,737	12.0	11.5	7,863	9.9	112.6
1978	202,282	15.1	11.7	8,857	12.6	114.0
1979	231,416	14.4	11.9	9,951	12.4	115.0
1980	261,946	13.2	12.1	11,020	10.7	116.1
1981	293,196	11.9	12.1	12,106	9.9	114.8
1982	312,205	6.5	12.1	12,642	4.4	113.8
1983	334,400	7.1	12.2	13,277	5.0	113.6
1984	371,202	11.0	12.3	14,487	9.1	113.3
1985[b]	399,811	7.7	n.a.	15,269	5.4	n.a.

[a] Per capita figures derived using population estimates of the California Department of Finance.

[b] Estimated. Data are not comparable with revised national series.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, and California Department of Finance.

TABLE 12
PERSONAL INCOME BY MAJOR SOURCES, CALIFORNIA, 1960–85
(In millions)

Year	Total Personal Income [a]	Wages and salaries	Other labor income	Proprietor		Property income	Transfer payments	Less: Contributions for social insurance	Residence adjustment
				Farm	Other				
1960	$43,303	$29,048	$1,101	$899	$4,168	$6,195	$3,072	$1,085	−$95
1961	45,676	30,619	1,196	814	4,343	6,429	3,529	1,171	−84
1962	49,122	33,063	1,342	914	4,524	6,910	3,728	1,276	−82
1963	52,468	35,434	1,514	859	4,652	7,474	4,085	1,478	−72
1964	56,772	37,991	1,734	1,007	5,054	8,229	4,420	1,591	−72
1965	60,704	40,444	1,918	919	5,276	9,005	4,872	1,711	−19
1966	65,882	44,551	2,126	994	5,476	9,639	5,343	2,227	−20
1967	70,735	47,752	2,281	921	5,704	10,254	6,363	2,525	−18
1968	77,330	52,355	2,654	1,059	6,160	10,759	7,154	2,791	−20
1969	84,402	57,373	3,018	966	6,356	11,789	8,083	3,158	−26
1970	90,295	60,708	3,361	885	6,229	12,710	9,782	3,355	−24
1971	95,653	63,411	3,685	1,018	6,394	13,394	11,348	3,574	−22
1972	104,191	69,242	4,348	1,270	6,904	14,300	12,238	4,180	−22
1973	114,690	75,935	4,945	2,042	7,291	15,968	13,677	5,146	−21
1974	128,142	83,428	5,695	2,352	7,416	18,493	16,160	5,395	−8
1975	141,046	89.761	6,698	1,888	8,022	20,149	20,198	5,744	75
1976	156,940	99,259	7,963	1,919	9,521	22,312	22,409	6,571	127
1977	175,737	111,461	9,711	1,450	10,598	25,890	23,978	7,381	30
1978	202,282	127,421	11,347	1,919	12,002	32,169	25,881	8,464	7
1979	231,416	145,099	12,900	2,472	12,867	39,375	28,629	9,942	16
1980	261,946	162,908	14,632	2,719	12,290	46,242	33,598	10,462	19
1981	293,196	180,637	16,196	2,748	10,803	56,903	38,630	12,788	66
1982	312,205	191,413	18,298	2,031	9,014	62,324	42,840	13,800	86
1983	334,400	205,100	20,868	1,824	10,381	65,083	46,062	15,008	92
1984	371,202	227,417	23,704	2,259	12,159	74,326	48,059	16.837	116
1985 [b]	399,811	247,290	26,034	2,070	13,584	78,472	51,607	19,376	130

[a] Detail may not add to total because of rounding.

[b] Estimated.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, and California Department of Finance.

TABLE 13

DISPOSABLE PERSONAL INCOME, CALIFORNIA, 1960–84

	Disposable Personal Income		Per Capita Disposable Income	
	Amount (In millions)	Percent Change	Amount	Percent Change
1960	$37,637	4.8	$2,372	2.1
1961	39,669	5.4	2,405	1.4
1962	42,533	7.2	2,491	3.6
1963	45,396	6.7	2,569	3.1
1964	49,977	10.1	2,753	7.2
1965	53,454	7.0	2,876	4.5
1966	57,540	7.6	3,051	6.1
1967	61,431	6.8	3,204	5.0
1968	66,235	7.8	3,415	6.6
1969	71,498	7.9	3,627	6.2
1970	77,683	8.7	3,880	7.0
1971	83,118	7.0	4,085	5.3
1972	88,601	6.6	4,304	5.4
1973	98,559	11.2	4,723	9.7
1974	109,865	11.5	5,189	9.9
1975	122,346	11.4	5,681	9.5
1976	134,584	10.0	6,136	8.0
1977	150,240	11.6	6,722	9.6
1978	172,309	14.7	7,545	12.2
1979	195,994	13.7	8,428	11.7
1980	221,056	12.8	9,300	10.3
1981	247,789	12.1	10,231	10.0
1982	265,379	7.1	10,746	5.0
1983	286,511	8.0	11,376	5.9
1984	318,826	11.3	12,443	9.4

Source: U.S. Department of Commerce, Bureau of Economic Analysis

TABLE 14

INDUSTRIAL SOURCES OF EARNINGS, CALIFORNIA AND UNITED STATES, 1982–84

(In percent)

Industry	California			United States		
	1982	1983	1984	1982	1983	1984
Total [a]	100.0	100.0	100.0	100.0	100.0	100.0
Farming	2.3	2.0	2.0	1.8	1.3	2.0
Mining	0.8	0.7	0.7	2.1	1.7	1.6
Construction	5.1	4.8	5.2	5.3	5.3	5.4
Manufacturing	22.3	22.2	22.0	24.3	23.8	23.7
Transportation, communication, and public utilities	7.3	7.2	6.9	7.9	7.8	7.5
Trade	16.4	16.4	16.5	16.3	16.3	16.3
Finance, insurance, real estate	5.8	6.4	6.5	5.9	6.4	6.4
Services	21.8	22.5	22.9	19.2	20.1	20.2
Government	17.5	17.1	16.5	17.0	17.0	16.3
Other [b]	0.8	0.7	0.7	0.4	0.4	0.4

[a] Consists of wage and salary disbursements, other labor income and proprietors' income. Detail may not add to total due to rounding.

[b] Agricultural services, forestry, fisheries and other.

Source: Computed by California Department of Finance from data reported by the U.S. Department of Commerce, Bureau of Economic Analysis.

TABLE 15

NUMBER OF PERSONAL INCOME TAX RETURNS, ADJUSTED GROSS INCOME, TAXABLE INCOME, AND TAX ASSESSED, 1960–83

(Income in thousands)

Income Year[a]	Number of returns	Adjusted gross income	Taxable income	Tax assessed
1960	4,239,099	$31,234,015	$13,337,516	$256,450,535
1961	4,454,831	33,581,594	14,624,977	290,676,930
1962	4,558,688	35,878,383	15,833,652	304,396,656
1963	4,851,770	38,835,003	17,382,196	338,006,936
1964	4,981,588	42,133,398	19,411,712	391,744,625
1965	5,167,529	45,234,006	21,088,900	432,886,449
1966	5,445,732	48,692,542	23,442,015	478,765,378
1967	5,449,456	52,827,614	43,252,693	947,644,969
1968	5,334,038	56,636,453	44,663,419	1,061,700,536
1969	5,586,849	60,874,377	47,983,889	1,088,914,303
1970	5,554,362	63,189,993	49,434,451	1,212,386,611
1971	5,690,817	67,784,603	52,618,643	1,132,505,000
1972	6,972,468	78,371,548	60,904,375	1,691,312,440
1973	7,490,292	85,533,832	66,863,680	1,536,631,957
1974	7,929,997	93,727,065	73,916,530	2,360,763,630
1975	8,124,290	101,597,846	80,476,280	2,758,812,903
1976	8,620,249	115,605,336	91,731,547	3,359,556,988
1977	8,989,797	132,780,576	105,756,245	4,224,600,738
1978	9,448,710	149,103,645	119,658,733	4,174,010,707
1979	10,190,263	169,787,242	136,691,944	5,973,284,386
1980	10,335,674	189,296,755	150,455,416	6,205,907,550
1981	10,661,919	209,941,951	165,129,794	6,774,149,612
1982	10,721,424	224,864,258	175,605,697	7,240,834,538
1983	10,950,080	244,257,464	188,843,755	8,424,613,000

[a] Changes in the Personal Income Tax Law effective with returns for the 1967 income year make prior year information not comparable

Source: California Franchise Tax Board.

TABLE 16

PERSONAL INCOME TAX STATISTICS, BY COUNTY, 1983 INCOME YEAR

County	All returns—taxable and nontaxable			Joint Returns		
	Number of Returns	Adjusted Gross Income (thousands)	Median Income	Number of Returns	Median Income	Tax Assessed (thousands)
Alameda	493,935	$11,450,306	$17,974	201,434	$32,489	$378,393
Alpine	204	3,831	14,857	110	23,714	84
Amador	8,314	163,441	16,332	5,181	22,310	4,039
Butte	55,240	930,679	12,349	29,292	19,918	23,399
Calaveras	7,969	147,072	14,400	4,930	20,029	3,704
Colusa	5,258	99,453	12,986	2,960	19,205	3,590
Contra Costa	282,122	8,155,568	22,255	141,068	36,866	297,644
Del Norte	5,921	86,330	11,740	3,481	17,984	1,926
El Dorado	32,824	654,768	15,513	18,751	24,090	15,948
Fresno	197,686	3,691,955	13,421	101,722	22,236	108,450
Glenn	7,915	130,279	13,162	4,656	18,925	3,546
Humboldt	40,493	719,052	13,354	20,670	23,091	19,440
Imperial	31,790	533,075	11,747	19,154	15,776	14,389
Inyo	7,328	137,759	14,890	3,976	23,535	3,661
Kern	153,287	3,225,343	15,775	84,109	25,436	95,402
Kings	23,113	428,623	14,345	13,395	21,578	11,551
Lake	14,938	244,624	12,441	8,845	17,800	5,495
Lassen	7,495	132,923	15,339	4,437	21,921	3,000
Los Angeles	3,070,874	70,639,109	15,773	1,273,115	27,743	2,562,457
Madera	21,957	401,390	13,971	13,445	20,945	10,337
Marin	100,603	3,248,365	21,311	41,247	39,904	148,988
Mariposa	4,354	74,341	13,109	2,397	20,438	1,672
Mendocino	26,019	465,634	12,824	13,877	21,818	12,080
Merced	46,928	769,414	12,557	26,200	19,242	18,974
Modoc	2,825	41,364	12,528	1,727	18,032	989
Mono	3,316	60,404	13,557	1,419	23,939	1,507
Monterey	103,965	2,342,826	15,617	50,783	25,264	81,962
Napa	38,443	901,907	18,124	19,784	29,095	29,005
Nevada	21,772	439,400	15,472	12,785	22,431	11,721
Orange	857,879	22,024,728	18,638	401,578	32,809	749,617
Placer	52,071	1,143,624	17,067	29,364	27,352	30,292
Plumas	6,267	117,274	15,397	3,806	22,657	2,780
Riverside	264,621	5,830,567	15,409	144,689	23,988	153,124
Sacramento	336,551	7,074,804	16,303	157,241	28,019	209,532
San Benito	9,864	185,001	13,686	5,242	22,328	5,023
San Bernardino	328,664	6,831,579	16,631	178,441	26,458	174,587
San Diego	753,956	16,559,842	15,830	353,838	27,190	523,579
San Francisco	353,366	7,928,189	15,614	99,436	27,123	344,978
San Joaquin	141,160	2,677,589	14,422	72,729	24,184	76,977
San Luis Obispo	64,745	1,322,026	15,224	32,991	24,884	37,959

TABLE 16—Continued

PERSONAL INCOME TAX STATISTICS, BY COUNTY, 1983 INCOME YEAR

County	All returns—taxable and nontaxable			Joint Returns		
	Number of Returns	Adjusted Gross Income (thousands)	Median Income	Number of Returns	Median Income	Tax Assessed (thousands)
San Mateo	268,448	7,930,264	21,393	118,658	36,472	329,849
Santa Barbara	128,745	3,086,459	16,582	58,771	29,218	113,505
Santa Clara	593,912	16,401,630	20,909	261,268	36,645	621,526
Santa Cruz	83,331	1,774,036	15,259	37,125	26,808	56,432
Shasta	44,567	810,456	14,033	25,871	21,612	20,235
Sierra	1,126	19,115	14,218	643	21,567	418
Siskiyou	14,707	245,808	12,916	8,726	18,996	6,526
Solano	92,196	2,148,731	19,843	49,525	30,920	59,665
Sonoma	129,730	2,880,778	17,106	63,212	28,411	88,680
Stanislaus	105,559	1,927,776	13,650	56,309	22,091	54,035
Sutter	19,721	348,966	13,010	11,203	20,431	9,788
Tehama	13,338	218,465	13,379	7,916	19,611	5,394
Trinity	3,818	64,074	13,530	2,411	19,076	1,383
Tulare	83,707	1,456,178	12,664	48,511	19,030	38,783
Tuolumne	13,795	242,960	13,839	8,004	20,392	5,570
Ventura	216,134	5,347,464	18,894	115,166	31,191	162,779
Yolo	45,279	951,869	13,918	21,257	25,445	27,599
Yuba	15,934	229,582	11,032	8,774	16,982	4,994
Unallocated [1]	50,754	989,213	12,262	19,352	22,952	27,893
Resident Out-of-State [2]	70,213	1,586,503	12,814	27,488	22,569	69,769
Nonresident	162,732	7,397,597	21,160	93,878	30,653	89,573
Totals:						
58 Counties	9,860,025	$228,099,069	—	4,507,655	—	$7,788,961
All	10,143,724	$238,072,382	$16,626	4,648,373	$28,308	$7,976,196

[1] Unable to determine county of residence from tax returns.

[2] Resident returns filed with out-of-state address.

Source: California Franchise Tax Board.

TABLE 17

CONSUMER PRICE INDEX, UNITED STATES, CALIFORNIA, LOS ANGELES, SAN FRANCISCO, AND SAN DIEGO, 1960–85

(1967 = 100)

Year	United States	California [b]	Los Angeles-Long Beach [c]	San Francisco-Oakland [d]	San Diego [e]
Urban Wage Earners and Clerical Workers (Old Series)					
1960	88.7	88.2	88.5	87.9	—
1961	89.6	89.3	89.6	88.9	—
1962	90.6	90.5	90.6	90.3	—
1963	91.7	91.9	92.0	91.5	—
1964	92.9	93.5	93.7	92.9	—
1965	94.5	95.4	95.7	94.7	95.2
1966	97.2	97.3	97.5	97.1	97.1
1967	100.0	100.0	100.0	100.0	100.0
1968	104.2	104.1	103.9	104.5	104.1
1969	109.8	109.3	108.8	110.2	109.5
1970	116.3	114.9	114.3	115.8	115.3
1971	121.3	119.1	118.5	120.1	119.8
1972	125.3	123.1	122.3	124.3	124.4
1973	133.1	130.2	129.2	131.5	132.5
1974	147.7	143.5	142.5	144.4	147.2
1975	161.2	158.4	157.6	159.1	160.8
1976	170.5	168.3	168.0	168.0	170.7
1977	181.5	180.2	179.6	180.8	180.9
All Urban Consumers [a]					
1978	195.4	194.8	192.8	197.8	200.1
1979	217.4	215.9	213.7	214.6	233.1
1980	246.8	249.4	247.3	247.3	268.5
1981	272.4	276.6	271.4	279.0	304.6
1982	289.1	294.5	287.6	300.0	325.3
1983	298.4	299.3	292.7	302.5	334.6
1984	311.1	314.3	306.1	319.8	354.2
1985	322.2	328.7	320.2	333.1	373.2
Revised Urban Wage Earners and Clerical Workers [a]					
1978	195.3	194.3	192.5	197.4	199.5
1979	217.7	216.2	215.1	214.7	230.4
1980	247.0	250.6	250.2	247.2	264.6
1981	272.3	277.9	275.0	278.8	299.3
1982	288.6	295.4	291.1	298.9	320.4
1983	297.4	296.9	293.5	298.9	319.2
1984	307.6	307.5	301.9	315.8	327.9
1985	318.5	320.0	314.8	328.3	337.0

[a] A new Consumer Price Index for All Urban Consumers and a revised CPI for Urban Wage Earners and Clerical Workers were introduced January 1978. These series tie to the historical unrevised Urban Wage Earners and Clerical Workers CPI.

[b] Computed by the Department of Industrial Relations, Division of Labor Statistics and Research, as a weighted average of the indexes for the Los Angeles-Long Beach, San Francisco-Oakland, and San Diego metropolitan areas.

[c] Los Angeles and Orange Counties.

[d] Alameda, Contra Costa, Marin, San Francisco, San Mateo and Solano Counties.

[e] San Diego County.

Source: U.S. Department of Labor, Bureau of Labor Statistics and California Department of Industrial Relations.

TABLE 18

CALIFORNIA CASH FARM RECEIPTS, PRODUCTION EXPENSES, AND INCOME, 1960–84

(In millions of dollars)

Year	Cash receipts [a]	Production expenses	Net farm income before inventory adjustment	Non-money income [b]	Net farm income after inventory adjustment [c]
1960	3,405.3	2,475.5	929.5	134.2	974.9
1961	3,462.6	2,577.0	885.6	145.6	880.5
1962	3,627.8	2,758.2	869.5	143.0	956.5
1963	3,728.3	2,820.7	907.6	145.8	910.6
1964	3,896.1	2,841.3	1,054.4	148.9	1,069.2
1965	3,957.2	3,043.1	914.1	154.2	973.8
1966	4,343.1	3,211.8	1,131.3	155.5	1,091.7
1967	4,246.0	3,296.9	949.1	150.1	966.5
1968	4,603.3	3,474.4	1,128.9	151.0	1,167.7
1969	4,810.3	3,660.9	1,149.4	154.1	1,087.8
1970	4,871.0	3,828.3	1,042.7	152.3	1,026.3
1971	5,190.4	4,192.7	997.7	160.6	1,019.0
1972	5,872.5	4,324.3	1,548.1	171.3	1,563.0
1973	7,598.4	5,197.0	2,401.3	192.0	2,561.7
1974	8,902.4	6,197.4	2,705.0	222.6	2,867.2
1975	8,848.7	6,599.1	2,249.6	265.1	2,330.3
1976	9,493.9	7,231.4	2,262.5	290.9	2,237.1
1977	9,917.3	7,584.2	2,333.2	295.4	2,338.9
1978	11,106.0	8,235.5	2,870.5	336.6	2,866.4
1979	13,564.3	9,657.8	3,906.5	463.6	4,094.8
1980	14,722.5	10,523.0	4,199.4	576.1	4,448.8
1981	14,917.7	11,252.3	3,665.5	684.3	4,137.5
1982	15,490.0	11,591.5	3,898.4	770.2	3,513.2
1983	14,234.8	11,549.5	2,685.3	775.8	2,675.4
1984	15,447.6	12,111.5	3,336.2	771.9	3,547.9

[a] Receipts from marketings plus government payments, other farm income and nonmoney income.
[b] Value of home consumption and gross rental value of farm dwellings.
[c] Net farm income before adjustment plus net change in inventories.
Source: California Department of Food and Agriculture.

TABLE 19

CALIFORNIA CASH FARM RECEIPTS, ALL CROPS, LIVESTOCK AND POULTRY, MISCELLANEOUS, AND GOVERNMENT PAYMENTS, 1960–84

(In millions of dollars)

Year	Total [a]	All crops [b]	Livestock and poultry	Miscellaneous	Government payments
1960	3,244	1,864	1,246	112	22
1961	3,291	1,866	1,278	119	28
1962	3,457	1,949	1,344	132	32
1963	3,552	2,031	1,350	139	32
1964	3,712	2,204	1,309	165	34
1965	3,763	2,125	1,427	170	41
1966	4,146	2,295	1,565	182	104
1967	4,048	2,186	1,564	188	110
1968	4,401	2,483	1,621	196	101
1969	4,602	2,494	1,768	217	123
1970	4,665	2,484	1,815	234	132
1971	4,969	2,734	1,876	246	113
1972	5,638	3,139	2,086	291	122
1973	7,328	4,294	2,563	365	106
1974	8,600	5,375	2,786	421	18
1975	8,490	5,204	2,800	470	16
1976	9,109	5,624	2,923	549	13
1977	9,517	5,907	2,947	588	75
1978	10,632	6,530	3,381	665	57
1979	12,993	7,900	4,227	805	61
1980	14,016	9,007	4,089	906	14
1981	14,191	8,996	4,232	940	23
1982	14,578	9,106	4,393	944	135
1983	13,354	7,752	4,213	1,017	372
1984	14,510	8,459	4,471	1,245	335

[a] Receipts from marketings plus government payments.

[b] Miscellaneous, primarily ornamentals, not included.

Source: California Department of Food and Agriculture.

TABLE 20

CALIFORNIA CASH FARM RECEIPTS FROM CROPS, 1960–84

(In millions of dollars)

Year	All crops [a]	Fruit and nut	Vegetables	Field crops
1960	1,864	586	448	830
1961	1,866	587	475	804
1962	1,949	601	522	826
1963	2,031	647	505	879
1964	2,204	724	563	917
1965	2,125	631	594	900
1966	2,295	712	690	893
1967	2,186	666	713	807
1968	2,483	786	855	842
1969	2,494	848	782	864
1970	2,484	824	771	889
1971	2,734	935	915	884
1972	3,139	1,018	1,050	1,071
1973	4,294	1,554	1,191	1,549
1974	5,375	1,503	1,490	2,382
1975	5,204	1,507	1,633	2,064
1976	5,624	1,608	1,589	2,427
1977	5,907	2,017	1,889	2,001
1978	6,530	2,405	2,022	2,103
1979	7,900	2,978	2,265	2,657
1980	9,007	3,059	2,527	3,421
1981	8,996	2,954	2,796	3,246
1982	9,106	3,115	2,820	3,171
1983	7,752	2,413	2,928	2,411
1984	8,459	2,633	3,171	2,655

[a] Miscellaneous, primarily ornamentals, not included.

Source: California Department of Food and Agriculture.

Table 21

AGRICULTURAL EMPLOYMENT IN CALIFORNIA, 1972–85

Year		Total Wage and Salary Employment	Agricultural Production	Agricultural Services [a]
1972		268.1	208.3	59.8
1973		288.9	222.4	66.6
1974		308.1	236.9	71.2
1975		315.7	243.7	72.0
1976		323.5	248.2	75.3
1977		314.7	241.7	72.9
1978		323.9	245.1	78.9
1979		338.6	253.6	85.0
1980		352.3	261.9	90.3
1981		354.4	258.6	95.8
1982		358.9	260.7	98.3
1983		347.3	250.3	97.1
1984		347.3	248.6	98.7
1985		334.5	233.0	101.5
1985	January	268.1	191.4	76.7
	February	256.3	183.0	73.3
	March	261.2	187.6	73.6
	April	315.0	223.0	92.0
	May	369.3	254.2	115.1
	June	405.1	271.0	134.1
	July	395.2	267.8	127.4
	August	399.2	269.5	129.7
	September	445.1	310.9	134.2
	October	331.2	237.5	93.7
	November	288.0	202.7	85.3
	December	279.5	196.8	82.7

[a] Agricultural services includes forestry and fishing, but excludes veterinary, other animal, and landscape and horticultural services.

Source: California Employment Development Department (Official U.S. Bureau of Labor Statistics series. The text portion of the report uses the interim series prepared by EDD.)

TABLE 22
CORPORATE PROFITS FROM CALIFORNIA OPERATIONS, 1960–83

Year [b]	Number of corporations [a]				Net profits (in millions)		
	Total	With net income	With net loss	No income or loss	Total	Net income [c]	Net loss [d]
1960	101,081	56,987	28,843	15,351	$3,517	$4,182	$−665
1961	105,645	59,746	31,802	14,097	3,718	4,509	−792
1962	110,294	63,400	31,954	14,940	3,970	4,754	−784
1963	114,667	66,496	33,667	14,504	4,283	5,092	−809
1964	118,860	69,555	34,254	15,051	4,626	5,526	−900
1965	122,399	71,484	35,625	15,290	5,126	6,007	−881
1966	124,690	73,076	35,664	15,950	5,643	6,638	−995
1967	125,677	73,433	38,188	14,056	5,252	6,456	−1,203
1968	128,505	77,238	36,754	14,513	6,003	7,255	−1,251
1969	136,695	80,348	38,627	17,720	5,643	7,477	−1,834
1970	145,352	81,340	44,318	19,694	4,386	6,711	−2,326
1971	151,216	83,664	47,621	19,931	4,804	7,249	−2,445
1972	158,932	91,055	47,214	20,663	6,465	8,561	−2,096
1973	165,676	97,377	46,937	21,362	7,911	10,208	−2,296
1974	172,185	102,680	49,962	19,543	8,978	11,734	−2,757
1975	177,665	106,213	53,965	17,487	8,362	11,672	−3,309
1976	184,326	113,614	54,249	16,463	11,916	14,808	−2,892
1977	200,393	124,175	57,949	18,269	14,941	17,830	−2,889
1978	221,527	138,495	63,725	19,307	18,728	21,974	−3,246
1979	248,188	154,468	72,343	21,377	20,735	24,826	−4,091
1980	275,493	165,183	86,482	23,828	20,654	25,825	−5,171
1981	299,215	172,122	101,398	25,695	16,367	24,214	−7,847
1982	326,264	175,054	120,964	30,246	10,745	22,828	−12,083
1983	337,165	184,408	125,149	27,614	16,485	26,628	−10,143

[a] Includes a slight amount of duplication as a result of mergers, consolidations, changes in corporate names and changes of income year which necessitated filing more than one state franchise tax return during the year. In 1961 this duplication amounted to approximately 205 corporations, or 0.5 percent of the total.

[b] Includes corporations with fiscal years ending in the calendar year shown.

[c] Net profits of all corporations reporting net income.

[d] Net profits of all corporations reporting net loss.

Source: California Franchise Tax Board.

TABLE 23

BANK AND CORPORATION FRANCHISE TAX RETURNS REPORTING NET INCOME SUBJECT TO STATE TAXATION, BY INDUSTRY, 1982 AND 1983

(Income in thousands)

	1982				1983			
	Corporations reporting net income subject to state taxation		All reporting corporations		Corporations reporting net income subject to state taxation		All reporting corporations	
Industry	Number	Net income	Number	Net income less net loss	Number	Net income	Number	Net income less net loss
Agriculture, forestry, and fishery	3,585	$266,400	6,536	$92,354	3,747	$180,523	6,767	$ − 314,459
Mining	786	2,261,441	2,374	2,136,488	800	2,314,934	2,314	2,005,206
Crude petroleum and natural gas production	733	2,211,296	2,014	2,120,355	747	2,285,870	1,895	2,023,011
Other mining and quarrying	53	50,145	360	16,133	53	29,064	419	− 17,805
Construction	12,458	824,440	25,739	346,268	13,533	886,149	26,696	496,571
Manufacturing	17,871	6,847,135	32,371	3,768,387	18,754	8,655,082	33,524	5,776,886
Beverages, food, and kindred products	1,016	947,093	1,583	884,808	988	1,103,173	1,825	972,625
Textile-mill products	154	17,445	258	− 2,168	106	18,475	263	− 10,927
Apparel and products made from fabric	1,023	220,437	1,534	166,642	992	294,258	1,512	278,002
Wood products, except furniture	360	43,046	976	− 36,735	373	144,543	893	133,831
Furniture and fixtures	1,022	145,925	1,379	118,461	732	196,093	1,304	164,659
Paper and allied products	106	34,436	465	− 23,964	368	80,012	578	63,729
Printing, publishing, and allied industries	2,522	497,065	4,055	423,171	3,040	709,801	4,653	638,797
Chemicals and allied products	1,003	637,923	1,924	484,918	1,286	817,034	2,120	590,056
Petroleum and coal and rubber products	417	184,378	627	122,648	315	33,467	422	− 90,176
Stone, clay, and glass products	419	159,743	982	101,852	580	237,290	1,050	198,875
Primary metals	412	44,207	673	− 308,565	216	107,629	688	− 352,102
Electrical machinery and equipment	2,045	1,437,303	3,688	462,359	1,624	1,928,274	3,716	1,221,178
Transportation equipment	683	492,540	1,352	404,050	494	1,293,537	1,122	1,126,189
Other equipment	1,847	219,844	3,382	19,692	2,244	223,070	3,604	9,510
Precision equipment	324	466,529	1,038	262,104	582	183,231	1,105	105,938
Other fabricated metal products	2,669	666,727	5,016	195,855	2,406	681,119	4,593	313,602
Other manufacturing	1,849	632,494	3,439	493,159	2,408	604,076	4,076	413,100

TABLE 23—Continued

BANK AND CORPORATION FRANCHISE TAX RETURNS REPORTING NET INCOME SUBJECT TO STATE TAXATION, BY INDUSTRY, 1982 AND 1983

(Income in thousands)

Industry	1982				1983			
	Corporations reporting net income subject to state taxation		All reporting corporations		Corporations reporting net income subject to state taxation		All reporting corporations	
	Number	Net income	Number	Net income less net loss	Number	Net income	Number	Net income less net loss
Services	68,094	2,277,465	119,113	899,103	73,820	2,499,694	125,800	1,125,053
Motion picture production	4,287	103,803	7,044	−6,432	4,322	265,212	7,446	165,350
Amusement services	2,560	370,373	5,982	185,454	3,230	194,145	6,404	100,598
Personal services	1,990	78,159	3,928	57,375	2,340	75,901	4,212	31,305
Business services	20,476	743,031	38,079	177,836	23,294	865,494	40,733	98,290
Professional services	26,367	342,980	35,547	270,720	27,716	335,950	38,012	218,389
Other services	12,414	639,119	28,533	214,150	12,918	762,992	28,993	511,121
Trade	42,942	4,191,361	75,318	2,322,771	43,528	4,634,244	78,401	2,698,157
Retail trade	30,952	2,009,869	55,862	794,744	24,545	2,144,936	44,364	1,371,680
Wholesale trade	11,990	2,181,492	19,456	1,528,027	18,983	2,489,308	34,037	1,326,477
Finance, insurance, and real estate	25,508	2,428,342	56,200	−2,095,459	26,378	3,581,405	55,130	1,199,686
Banks	365	726,155	622	631,402	332	1,037,129	439	998,059
Savings and loan associations and other financials	267	173,177	764	−1,249,652	349	184,681	933	−330,231
Real estate companies	17,354	899,088	39,358	−1,123,117	18,074	1,353,379	38,888	177,627
Investment and insurance companies	7,522	629,922	15,456	−354,092	7,623	1,006,216	14,870	354,231
Utilities	3,809	3,731,205	8,613	3,275,094	3,842	3,876,267	8,533	3,498,159
Transportation	2,613	299,304	5,375	−110,811	2,882	897,359	5,489	672,086
Communications	55	70,253	107	59,718	59	856,653	216	821,889
Radio and television industries	261	118,923	670	107,790	319	222,346	686	181,350
Electric and gas utilities	55	1,566,299	106	1,566,289	5	1,737,872	57	1,737,857
Other public utilities	825	1,676,426	2,355	1,652,108	577	162,037	2,085	84,977
Totals	175,053	$22,827,789	326,264	$10,744,905	184,408	$26,628,298	337,165	$16,485,259

Source: California Franchise Tax Board

TABLE 24

CALIFORNIA BUILDING PERMIT ACTIVITY: NONRESIDENTIAL VALUATION BY SELECTED TYPES OF CONSTRUCTION, 1963–85

(In thousands of dollars)

Year	Commercial	Industrial	Other	Additions and alterations	Total [b]
1963	734,878	198,932	708,507	280,024	1,922,338
1964	749,998	184,849	805,449	261,022	2,001,317
1965	845,483	207,844	656,461	286,488	1,996,275
1966	829,974	255,348	706,425	307,759	2,099,504
1967	728,496	283,612	601,256	268,139	1,881,503
1968	869,419	367,027	651,423	271,259	2,159,126
1969	1,016,925	395,697	666,768	452,097	2,531,490
1970	1,089,054	288,077	674,969	491,669	2,543,764
1971	1,401,364	326,049	978,580	263,473	2,969,469
1972	1,437,511	464,702	865,306	281,118	3,048,634
1973	1,349,105	717,549	826,827	337,156	3,230,637
1974	1,260,018	736,532	902,675	359,502	3,258,723
1975	1,296,132	491,032	952,261	366,794	3,106,221
1976	1,327,749	629,515	1,067,335	443,049	3,467,649
1977	1,890,490	1,093,685	1,229,912	498,550	4,712,638
1978	2,477,474	1,556,132	1,318,691	606,069	5,958,365
1979	3,377,019	1,812,478	1,383,480	721,923	7,294,901
1980 [a]	3,274,077	1,276,735	1,202,941	1,716,358	7,470,107
1981	4,034,262	1,484,012	1,308,222	2,079,349	8,905,843
1982	4,176,487	1,051,366	1,401,367	2,100,651	8,729,875
1983	4,456,644	1,312,567	1,478,114	2,663,477	9,910,801
1984	5,644,100	2,020,400	1,560,600	2,743,500	11,968,600
1985	6,236,000	1,956,600	1,800,200	3,325,000	13,317,800

[a] Prior to 1980 all additions and alterations of $100,000 or over were recorded as new construction in either the commercial, industrial or other category.

[b] Parts may not add to total due to rounding.

Source: Security Pacific National Bank

TABLE 25
RESIDENTIAL HOUSING UNITS AUTHORIZED BY PERMITS, CALIFORNIA, 1963–85

Year	Single	Multiple	Total	Additions and Alterations Valuation (Millions)	Total Residential Valuation (Millions)
1963	131,544	190,472	322,016	$264	$4,066
1964	112,977	155,430	268,407	285	3,742
1965	95,156	82,426	177,582	280	2,910
1966	65,405	33,967	99,372	259	1,926
1967	68,417	43,575	111,992	260	2,108
1968	86,957	73,022	159,979	268	2,838
1969	80,134	104,211	184,345	267	3,148
1970	71,344	124,348	195,692	271	3,177
1971	113,260	143,729	256,989	303	4,529
1972	124,064	155,606	279,670	330	5,390
1973	102,571	113,508	216,079	350	4,883
1974	76,204	53,025	129,229	434	3,687
1975	89,823	41,909	131,732	529	4,541
1976	140,293	81,647	221,940	659	8,023
1977	174,874	95,766	270,640	840	10,494
1978	141,537	102,268	243,805	947	10,604
1979	127,499	82,577	210,076	1,103	10,791
1980	86,632	58,355	144,987	1,234	9,098
1981	59,973	44,900	104,873	1,235	7,520
1982	49,852	34,521	84,373	1,242	6,179
1983	99,299	69,059	168,358	1,493	11,511
1984	107,346	110,661	218,007	1,567	14,514
1985	109,809	153,873	263,682	1,683	17,599

Source: Security Pacific National Bank

TABLE 26

TAXABLE TRANSACTIONS IN CALIFORNIA AND OUTSTANDING SALES TAX PERMITS, BY TYPE OF OUTLET, 1960–85

Calendar Year	Taxable Transactions		Sales Tax Permits Outstanding [a]			
	All Outlets (In millions)	Retail Stores (In millions)	Total	Retail [b] Stores	Personal Service Shops	Other [c]
1960	$23,361	$15,645	346,706	150,512	58,997	137,197
1961	23,987	16,077	351,540	148,899	59,516	143,125
1962	25,969	17,522	355,403	151,769	57,591	146,043
1963	27,892	18,893	362,614	154,517	57,105	150,992
1964	30,265	20,550	372,387	157,344	56,749	158,294
1965	31,908	21,516	381,203	161,109	56,002	164,092
1966	34,236	22,624	389,867	163,087	55,326	171,454
1967	35,122	23,512	392,705	163,821	54,624	174,260
1968	39,007	26,168	401,980	165,285	54,993	181,702
1969	42,378	28,254	411,375	167,887	55,066	188,422
1970	43,223	28,699	426,766	171,094	56,173	199,499
1971	46,815	31,496	440,935	173,343	57,359	210,233
1972	53,714	36,518	459,616	177,261	58,815	233,540
1973	61,738	42,119	474,733	180,330	59,943	234,460
1974	68,071	45,797	492,937	182,570	60,918	249,449
1975	73,476	49,800	520,499	187,399	62,951	270,149
1976	83,822	57,343	552,162	193,925	65,868	292,369
1977	99,482	67,491	583,704	200,452	69,271	313,981
1978	113,468	76,366	611,397	206,951	72,003	332,443
1979	131,678	87,270	642,152	212,804	75,185	354,163
1980	142,759	94,211	673,679	218,945	78,272	376,462
1981	155,127	101,666	698,080	223,201	79,952	394,927
1982	154,553	102,009	740,577	230,023	83,223	427,331
1983	169,413	113,350	764,815	233,522	85,697	445,596
1984	194,014	126,736	783,718	240,108	88,839	454,771
1985	208,574	135,901	808,549	246,878	92,465	469,206

[a] Permits as of July 1

[b] Exclusive of itinerant and mail-order vendors

[c] Consists of manufacturing, wholesaling, contracting, and miscellaneous outlets and itinerant and mail-order vendors

Source: California State Board of Equalization

TABLE 27

TAXABLE TRANSACTIONS IN CALIFORNIA BY TYPE OF BUSINESS, 1980–85

(Amounts in millions)

	1980	1981	1982	1983	1984	1985
Total, all outlets	$142,759	$155,127	$154,553	$169,413	$194,014	$208,574
Retail stores	94,211	101,666	102,009	113,350	126,736	135,901
Apparel stores	4,678	5,342	5,318	5,565	6,10	6,532
General merchandise and drug stores [a]	14,638	16,111	16,496	18,222	20,277	21,867
Specialty stores	9,178	10,276	11,214	12,813	14,642	15,636
Grocery stores [b]	8,530	9,545	10,302	11,018	11,832	12,490
Liquor stores	1,985	2,060	1,984	1,962	1,936	1,892
Eating and drinking places	11,324	12,614	13,338	14,533	16,038	17,221
Home furnishings and appliance stores	4,348	4,667	4,721	5,467	6,238	6,676
Farm and garden	2,261	2,361	2,115	2,239	2,504	2,545
Building materials	6,131	5,759	5,365	6,941	8,191	9,084
New car dealers	10,973	12,233	12,722	15,936	19,272	21,743
Automotive group [c]	20,165	20,697	18,433	18,654	19,699	20,215
Other						
Business and personal services	5,210	5,833	6,025	6,851	7,981	8,807
All other outlets	43,338	47,627	46,519	49,212	59,296	63,866

[a] Excludes exempt sales of prescription medicines.

[b] Excludes exempt sales of food for home consumption.

[c] Excludes new car dealers.

Source: California Board of Equalization.

TABLE 28

DEMAND AND TIME DEPOSITS, ALL INSURED COMMERCIAL BANKS, CALIFORNIA, 1960–85

(Amounts in millions)

Year *	Demand Deposits	Time and Savings Deposits
1960	$12,954	$11,385
1961	14,232	12,851
1962	14,426	14,593
1963	14,939	16,042
1964	15,683	17,983
1965	15,232	20,109
1966	15,671	21,614
1967	17,492	23,762
1968	19,003	26,418
1969	19,989	23,513
1970	20,713	28,636
1971	22,463	33,699
1972	26,607	37,461
1973	28,060	42,789
1974	27,916	51,268
1975	30,682	54,635
1976	32,119	56,775
1977	37,516	63,494
1978	40,897	72,462
1979	44,951	77,008
1980	44,976	92,361
1981	42,675	109,633
1982	40,531	124,743
1983	45,544	133,137
1984	47,962	135,696
1985	54,449	139,017

* As of December call reports, not seasonally adjusted

Source: Federal Reserve Bank of San Francisco

TABLE 29

GROSS LOANS BY MAJOR CATEGORIES, ALL INSURED COMMERCIAL BANKS, CALIFORNIA, 1960–85

(Amounts in millions)

Year [a]	Real estate loans	Commercial and industrial loans	Agricultural loans	Loans to individuals	Other	Total
1960	$5,181	$4,762	$509	$2,648	$1,223	$14,323
1961	5,358	5,122	592	2,769	1,313	15,154
1962	6,153	5,668	636	3,151	1,697	17,305
1963	7,027	6,009	716	3,634	2,376	19,762
1964	7,512	7,081	659	4,208	2,594	22,056
1965	7,974	8,284	748	4,686	2,661	24,353
1966	8,268	9,318	776	4,924	2,665	25,951
1967	8,485	10,112	803	5,126	2,697	27,223
1968	9,230	11,631	823	5,793	3,447	30,924
1969	9,545	12,276	866	6,045	3,706	32,439
1970	9,592	12,965	855	5,903	3,147	32,463
1971	10,871	13,682	990	6,659	4,193	36,395
1972	12,784	15,145	1,255	7,808	6,034	43,027
1973	15,607	18,831	1,559	8,846	7,056	51,899
1974	17,063	21,334	1,584	9,363	7,589	56,934
1975	16,724	20,156	1,614	10,023	7,121	55,637
1976	18,433	19,473	1,860	11,609	8,136	59,511
1977	23,648	21,635	2,019	14,637	8,470	70,409
1978	30,820	25,355	2,292	18,206	9,185	85,858
1979	39,088	30,260	2,655	22,080	8,741	102,824
1980	46,504	33,895	2,848	22,049	8,069	113,365
1981	52,291	39,502	3,345	21,982	11,780	128,900
1982	53,674	46,275	3,763	22,034	15,123	140,876
1983	54,448	48,845	4,136	23,900	18,140	149,469
1984	57,728	49,011	3,935	28,814	14,946	154,434
1985	61,602	49,297	3,377	33,455	16,768	164,499

Note: Individual figures may not add to totals due to rounding.

[a] As of December call reports except as noted.

Source: Federal Reserve Bank of San Francisco and Federal Deposit Insurance Corporation.

TABLE 30

LOANS AND SAVINGS CAPITAL, CALIFORNIA SAVINGS AND LOAN ASSOCIATIONS,[a] 1960–85

(In millions)

Year	Mortgage Loans Closed During the Year	End of Year Mortgage Loans Outstanding	Yearend Savings Capital	Net New Savings During the Year[b]
1960	$2,955	$9,141	$8,885	N.A.
1961	4,147	11,241	10,778	N.A.
1962	5,590	13,941	13,339	N.A.
1963	7,691	17,677	16,536	N.A.
1964	7,137	20,529	19,300	N.A.
1965	5,825	22,176	20,993	N.A.
1966	2,953	22,477	21,215	$−610
1967	3,641	23,558	23,469	1,360
1968	3,914	25,154	24,283	−122
1969	3,845	26,780	23,889	−1,395
1970	3,517	28,250	25,040	115
1971	6,576	31,907	30,054	3,776
1972	8,809	37,199	35,660	4,114
1973	7,735	41,113	37,836	476
1974	6,413	43,758	39,359	−349
1975	10,689	49,100	47,147	5,565
1976	17,903	58,553	57,102	7,218
1977	24,888	70,734	66,918	6,480
1978	24,391	80,765	74,896	4,180
1979	25,574	92,512	84,166	4,814
1980	16,074	98,196	89,693	106
1981	10,504	107,866	96,163[c]	−5,815
1982	14,082	105,927	108,712[c]	1,281
1983	42,594	132,297	147,857[c]	29,205
1984	54,120	166,477	188,761	28,457
1984	54,221	166,634	189,896	28,354
1985[p]	56,450[d]	179,647[e]	199,908	−4,056

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[a] Insured (FSLIC) California savings institutions that are members of the Federal Home Loan Bank of San Francisco. For the periods covered by this table, these institutions have accounted for at least 99.5% of California savings institution assets. Since 1976 all California institutions are included.

[b] New savings received less withdrawals excludes interest credited to savings accounts.

[c] Includes data from branch offices outside of California.

[d] Not comparable to data reported through 1984, due to a change in reporting. When a loan is refinanced at the same institution that held the original loan, the total amount of the refinanced loan is reported. Formerly, only the net amount of additional financing was included.

[e] Not comparable to data reported through 1984 due to a change in reporting. Includes certain government-insured mortgages that were formerly excluded.

[p] Preliminary.

Source: Federal Home Loan Bank of San Francisco.

TABLE 31

SELECTED DATA ON FEDERALLY CHARTERED CREDIT UNIONS IN CALIFORNIA, 1960–84 [a]

(Dollar amounts in thousands)

Year [b]	Number of credit unions	Number of members	Total assets	Shares	Total loans outstanding
1960	1014	787,450	$383,723	$340,165	$313,245
1961	1056	852,214	441,302	393,828	347,402
1962	1081	927,654	511,824	453,316	409,969
1963	1106	1,015,808	601,294	533,445	473,297
1964	1128	1,102,380	699,250	618,385	550,150
1965	1142	1,192,932	785,707	693,993	636,454
1966	1185	1,309,746	861,285	753,300	718,046
1967	1209	1,407,640	946,456	834,393	768,772
1968	1225	1,492,051	1,055,097	923,136	883,881
1969	1255	1,585,602	1,191,712	1,034,749	1,024,828
1970	1249	1,181,164	1,360,754	1,181,164	1,109,716
1971	1225	1,746,653	1,626,494	1,436,952	1,267,686
1972	1232	1,871,287	1,928,350	1,715,276	1,471,791
1973	1239	2,045,500	2,272,202	1,987,138	1,758,048
1974	1230	2,282,543	2,737,187	2,367,268	2,106,113
1975	1208	2,445,115	3,403,739	2,994,889	2,498,064
1976	1189	2,683,441	4,185,397	3,668,616	3,150,913
1977	1164	2,995,904	5,374,256	4,613,661	4,119,205
1978	1143	3,421,378	6,374,125	5,408,209	5,110,916
1979	1108	3,682,794	6,616,630	5,737,523	4,994,833
1980	1057	3,968,900	6,950,809	6,286,440	4,410,825
1981	980	4,159,003	6,826,930	6,158,178	4,365,916
1982	906	4,446,793	7,275,638	6,631,732	4,420,910
1983	850	3,975,086	8,684,128	7,999,116	5,202,513
1984	814	3,990,110	10,847,424	9,533,799	6,448,805

[a] Regulated by the National Credit Union Administration

[b] As of December 31st

Source: California Department of Corporations

TABLE 32

SELECTED DATA ON STATE CHARTERED CREDIT UNIONS IN CALIFORNIA, 1960–84

(Dollar amounts in thousands)

Year[a]	Number of credit unions	Number of members	Total assets	Shares	Total loans outstanding	Real estate loans outstanding
1960	568	573,548	$304,885	$263,793	$266,374	$41,676
1961	573	630,121	350,725	308,711	296,058	44,724
1962	578	675,287	396,343	343,890	340,125	47,736
1963	582	709,911	448,963	394,587	382,766	44,573
1964	597	788,816	513,302	449,214	437,040	53,971
1965	587	828,389	577,007	496,601	500,689	54,874
1966	623	889,636	639,154	549,351	568,782	64,561
1967	636	955,166	712,321	617,575	613,189	64,600
1968	626	1,006,190	795,758	684,727	696,891	83,837
1969	623	1,077,259	891,033	772,482	788,420	94,154
1970	631	1,139,372	998,764	868,721	858,839	101,161
1971	599	1,182,550	1,152,210	1,004,478	976,271	102,925
1972	590	1,248,463	1,330,711	1,160,215	1,105,569	110,489
1973	596	1,296,105	1,511,003	1,316,539	1,287,143	146,789
1974	591	1,312,193	1,615,949	1,420,664	1,396,985	185,955
1975	587	1,341,288	1,935,507	1,710,369	1,621,089	224,553
1976	576	1,503,437	2,232,994	2,057,351	1,991,402	297,474
1977	556	1,601,603	2,851,789	2,504,181	2,453,162	408,251
1978	534	1,678,279	3,261,776	2,842,131	2,903,915	607,752
1979	493	1,825,160	3,535,214	2,877,833	3,065,665	598,067
1980	478	1,973,513	3,798,533	3,189,679	2,977,642	615,902
1981	450	1,975,104	3,794,317	3,221,836	3,011,722	655,907
1982	417	1,921,032	3,788,929	3,351,392	2,710,921	607,421
1983	397	2,040,746	4,761,669	4,258,249	3,286,588	650,527
1984	376	2,010,832	5,439,894	4,885,542	4,088,618	855,287

[a] As of December 31st.

Source: California Department of Corporations. Report of State Chartered Credit Unions.

TABLE 33

SELECTED DATA ON FINANCE COMPANIES IN CALIFORNIA, 1971–84[a]

(Dollar amounts in thousands)

			Consumer loans under $10,000 and commercial loans under $5,000		
Year[b]	Number of loans made	Total principal amount of loans made	Secured by personal property	Secured by personal property and real property	Consumer loans of $10,000 or more and commercial loans of $5,000 or more
1971	1,170,013	$1,897,472	$1,153,541	$54,150	$689,781
1972	1,210,311	1,973,792	1,268,113	62,418	643,261
1973	1,202,884	2,424,236	1,344,871	90,028	989,337
1974	1,024,276	2,403,516	1,212,864	111,590	1,079,062
1975	883,047	2,234,827	1,114,707	156,257	963,863
1976	995,459	2,756,599	1,287,307	212,665	1,256,627
1977	1,073,690	3,047,796	1,393,534	224,676	1,429,586
1978	1,141,163	3,562,541	1,530,849	189,525	1,842,064
1979	1,097,742	5,265,756	1,408,269	182,030	3,675,457
1980	644,632	3,925,512	857,357	187,819	2,880,336
1981	424,672	4,754,757	532,610	203,507	4,018,640
1982	372,192	4,034,562	556,396	125,110	3,353,056
1983	462,319	5,946,563	790,603	104,839	5,051,121

			Consumer and commercial loans over $5,000		
	Number of loans made	Total principal amount of loans made	Secured by personal property	Secured by personal property and/or real property	Consumer loans under $5,000
1984[c]	713,094	$9,871,291	$5,403,132	$3,388,735	$1,079,424

[a] Finance companies are licensed under the Personal Property Brokers Law, the Consumer Finance Lender Law, and/or the Commercial Finance Lenders Law.

[b] Data refers to loans made during each year.

[c] In 1984 the categories for reporting loans changed due to changes in regulations about types of security.

Source: California Department of Corporations, Annual Reports for California Consumer Finance Laws.

TABLE 34

SELECTED DATA ON INDUSTRIAL LOAN COMPANIES IN CALIFORNIA, 1971–84 [a]

(Dollar amounts in thousands)

Year	Total asset [b]	Investment certificates [c]	Consumer loans		Commercial loans		Premium finance agencies	
			Number of loans made [c]	Principal amount of loans made [c]	Number of loans made [c]	Principal amount of loans made [c]	Number of loans made [c]	Principal amount of loans made [c]
1971	$456,632	$307,393	170,330	$328,597 [d]	—	—		
1972	523,969	344,209	199,737	381,595 [d]	—	—	75,242	$66,540
1973	542,939	381,150	189,278	358,728 [d]	—	—	78,681	75,623
1974	560,343	420,069	179,473	351,119	1,359	$17,987	79,893	80,971
1975	613,119	475,922	166,339	361,887	1,453	20,651	81,645	86,655
1976	687,399	537,212	202,104	428,453	25,467	106,897	79,804	107,310
1977	772,406	608,832	209,259	451,880	28,277	144,528	19,057	43,303
1978	875,928	678,918	209,884	509,688	30,320	175,828	14,206	48,853
1979	1,007,766	766,963	197,740	549,796	33,894	185,920	17,849	63,160
1980	1,120,406	857,038	155,747	448,205	39,367	231,007	18,822	74,328
1981	1,262,858	963,275	97,141	377,766	4,214	119,556	22,521	85,678
1982	1,630,687	1,266,241	114,501	513,202	4,020	165,059	29,884	100,693
1983	2,035,330	1,621,750	140,240	609,720	4,421	207,448	22,964	101,072
1984	2,325,240	1,896,856	94,777	558,180	4,612	223,684	26,399	98,180
							21,843	110,495

[a] Industrial loan companies are licensed lenders who are exempt from the usury law and who make unsecured and secured loans. This schedule does not include mortgage bankers licensed under the Industrial Loan Law.

[b] As of December 31st. Total assets restated to include thrift companies, non-thrift companies and premium finance agencies.

[c] Data refers to loans made during each year.

[d] Includes commercial loans.

Source: California Department of Corporations, Annual Reports for California Consumer Finance Laws.

TABLE 35

SUMMARY OF STATE TAX COLLECTIONS, 1960–61 TO 1986–87

(Excluding departmental, interest and miscellaneous revenue)

	State tax collections			Taxes per capita[a]			Taxes per $100 of personal income		
Fiscal year	General fund (thousands)	Special funds (thousands)	Total (thousands)	General fund	Special funds	Total	General fund	Special funds	Total
Cash basis									
1960–61	$1,537,347	$656,815	$2,194,162	$96.91	$41.41	$138.32	$3.55	$1.52	$5.07
1961–62	1,645,300	669,267	2,314,567	100.25	40.78	141.03	3.60	1.47	5.07
1962–63	1,791,038	711,185	2,502,223	105.66	41.96	147.62	3.65	1.45	5.09
1963–64	2,057,962	813,937	2,871,900	117.40	46.43	163.83	3.92	1.55	5.47
1964–65	2,161,157	931,958	3,093,115	119.89	51.70	171.59	3.81	1.64	5.45
1965–66	2,398,958	971,625	3,370,582	129.93	52.62	182.55	3.95	1.60	5.55
1966–67	2,422,275	993,277	3,415,552	128.63	52.75	181.38	3.68	1.51	5.18
Accrual basis[b]									
1966–67	2,746,888	1,091,387	3,838,275	145.87	57.96	203.83	4.17	1.66	5.83
1967–68	3,557,610	1,118,311	4,675,921	185.53	58.32	243.85	5.03	1.58	6.61
1968–69	3,962,520	1,210,229	5,172,748	203.92	62.27	266.19	5.12	1.57	6.69
1969–70	4,125,607	1,283,258	5,408,865	208.94	65.00	273.94	4.89	1.52	6.41
1970–71	4,290,263	1,308,350	5,598,613	214.10	65.29	279.39	4.75	1.45	6.20
1971–72	5,212,693	1,385,863	6,598,555	256.20	68.12	324.32	5.45	1.45	6.90
1972–73	5,758,266	1,470,905	7,229,171	279.73	71.46	351.19	5.53	1.41	6.94
1973–74	6,379,476	1,497,588	7,877,064	305.71	71.76	377.47	5.56	1.31	6.87
1974–75	8,045,039	1,529,459	9,574,497	379.96	72.24	452.20	6.28	1.19	7.47
1975–76	9,068,903	1,641,174	10,710,077	421.08	76.21	497.29	6.43	1.16	7.59
1976–77	10,780,867	1,744,013	12,524,880	491.49	79.51	571.00	6.87	1.11	7.98
1977–78	12,951,613	1,874,714	14,826,327	579.49	83.88	663.37	7.37	1.07	8.44
1978–79	14,187,549	2,013,879	16,201,427	621.20	88.17	709.37	7.01	1.00	8.01
1979–80	16,860,019	2,197,397	19,057,417	725.01	94.49	819.50	7.29	0.95	8.23
1980–81	17,808,092	2,191,849	19,999,941	749.15	92.21	841.36	6.80	0.84	7.64
1981–82	19,109,448	2,446,637	21,556,085	789.11	101.05	890.16	6.52	0.83	7.35
1982–83	19,578,803	2,796,214	22,375,017	792.74	113.20	905.94	6.27	0.90	7.17
1983–84	22,308,528	3,376,907	25,685,435	885.77	134.04	1,019.81	6.67	1.01	7.68
1984–85	25,514,709	3,522,886	29,037,595	995.82	137.74	1,133.56	6.87	0.95	7.82
1985–86	27,133,500	3,724,892	30,858,392	1,040.13	142.57	1,182.70	6.76	0.93	7.69
1986–87	29,726,600	3,831,660	33,558,260	1,121.31	144.39	1,265.70	6.92	0.89	7.81

[a] Taxes per capita computed on the basis of population January 1st, the midpoint of the fiscal year.

[b] Beginning in 1966-67 most state revenues were placed on an accrual basis. Beginning in 1973-74, accounts receivable only are accrued.

[c] Estimated.

Data may not add due to rounding.

Source: California Department of Finance.

TABLE 36

COMPARATIVE YIELD OF STATE TAXES, 1960–61 TO 1986–87

(In thousands)

Fiscal year	Sales and Use	Personal Income	Bank and Corporation [a]	Cigarette	Inheritance and Gift	Insurance	Distilled Spirits	Horse Racing	Beer and Wine	Motor Vehicle Fuel [b]	Motor Vehicle Fees [c]
Cash basis											
1960–61	711,702	269,103	272,718	66,024	76,803	66,745	41,274	37,260	9,704	350,801	264,842
1961–62	749,523	299,034	290,870	66,054	76,012	71,699	45,418	38,311	10,495	363,771	274,906
1962–63	813,465	322,012	311,251	70,194	92,432	77,970	48,152	41,663	10,659	386,215	298,356
1963–64	876,944	392,341	405,431	71,822	102,195	107,200	50,145	43,442	11,299	450,195	329,584
1964–65	939,649	410,109	416,247	74,477	114,464	95,199	53,915	47,560	12,422	542,822	353,607
1965–66	1,096,162	454,625	435,597	74,578	123,781	100,854	56,718	47,443	12,606	551,108	382,656
1966–67	1,053,249	500,086	453,292	75,597	114,413	107,186	59,564	49,311	13,751	548,287	405,061
Accrual basis [d]											
1966–67	1,190,750	626,697	453,292	78,191	141,899	131,226	64,733	49,311	14,964	643,698	405,061
1967–68	1,464,927	952,487	576,874	219,272	135,554	121,155	81,700	54,799	13,196	580,487	437,918
1968–69	1,652,979	1,101,691	592,303	237,328	158,815	130,312	85,494	59,839	14,118	625,667	469,655
1969–70	1,753,611	1,152,053	587,013	236,878	164,299	136,733	89,793	58,244	16,115	668,537	498,992
1970–71	1,808,052	1,264,383	532,091	239,721	185,699	158,423	90,765	64,601	15,791	674,635	513,201
1971–72	2,015,993	1,785,618	662,522	247,424	220,192	170,179	94,717	69,380	17,374	712,426	547,844
1972–73	2,198,523	1,884,058	866,117	253,602	260,119	179,674	96,907	72,693	17,977	746,196	596,922
1973–74	2,675,738	1,831,964	1,057,191	258,921	231,934	201,697	100,554	78,289	18,758	742,702	644,448
1974–75	3,376,153	2,581,584	1,253,673	261,975	242,627	202,991	100,856	86,637	19,893	752,234	664,453
1975–76	3,742,524	3,089,963	1,286,515	268,610	316,648	241,224	104,697	96,117	20,616	766,555	749,936
1976–77	4,313,909	3,761,356	1,641,500	269,384	367,964	322,476	105,275	102,702	22,210	810,321	807,782
1977–78	5,030,438	4,667,887	2,082,208	273,658	365,092	387,560	109,088	111,591	22,972	850,181	924,411
1978–79	5,780,919	4,761,571	2,381,223	268,816	416,955	420,184	114,922	113,253	25,137	896,591	1,021,857
1979–80	6,623,521	6,506,015	2,510,039	290,043	465,611	446,228	112,757	127,635	26,183	852,751	1,096,640
1980–81	7,131,429	6,628,694	2,730,624	278,161	530,180	460,926	115,191	129,779	27,669	839,995	1,127,293
1981–82	7,689,023	7,493,005	2,648,735	276,824	495,251	484,196	111,151	123,626	28,372	833,347	1,372,556
1982–83	7,795,488	7,712,691	2,536,011	271,621	517,875	736,929	108,519	123,398	27,690	928,633	1,624,736
1983–84	8,797,865	9,297,451	3,231,281	263,231	236,452	457,489	107,983	144,219	29,450	1,213,200	1,906,852
1984–85	9,797,564	10,805,734	3,564,593	263,327	296,805	643,139	105,958	140,577	29,828	1,159,700	2,140,562
1985–86	10,389,000	11,350,000	4,100,000	250,000	236,000	745,000	104,000	144,000	29,500	1,169,000	2,336,800
1986–87	11,205,000	12,460,000	4,655,000	250,000	248,000	840,000	104,000	147,000	29,600	1,182,000	2,454,100

[a] Includes the corporation income tax.

[b] Motor vehicle fuel tax (gasoline), use fuel tax (diesel and liquefied petroleum gas).

[c] Registration and weight fees, motor vehicle license fees and other fees.

[d] Beginning in 1966–67 most state revenues were placed on an accrual basis. Beginning with 1973–74, accounts receivable only are accrued.

[e] Estimated.

Source: California Department of Finance.

TABLE 37

ASSESSED VALUE OF TANGIBLE PROPERTY, TANGIBLE PROPERTY TAX LEVIES AND AVERAGE TAX RATE IN CALIFORNIA, 1960–61 TO 1985–86

Year	Assessed value[b]		Tax levies[a]		Average tax rate	
	Amount (in thousands)	Percent change from preceding year	Amount (in thousands)	Percent change from preceding year	Dollars per $100 assessed value	Percent change from preceding year
1960–61	29,600,832	7.9	2,195,588	10.3	7.42	2.2
1961–62	31,549,630	6.6	2,414,617	10.0	7.65	3.1
1962–63	33,326,914	5.6	2,606,131	7.9	7.82	2.2
1963–64	35,066,088	5.2	2,805,152	7.6	8.00	2.3
1964–65	36,743,364	4.8	3,057,579	9.0	8.32	4.0
1965–66	39,464,013	7.4	3,367,736	10.1	8.53	2.5
1966–67	42,522,365	7.7	3,758,481	11.7	8.84	3.6
1967–68	46,186,861	8.6	4,110,742	9.3	8.90	0.7
1968–69	48,653,400	5.3	4,569,986	11.2	9.39	5.5
1969–70	52,115,409	7.1	4,935,475	8.0	9.92	5.6
1970–71	55,580,735	6.6	5,721,672	15.9	10.86	9.4
1971–72	58,785,243	5.8	6,372,331	11.5	11.43	5.3
1972–73	62,790,656	6.8	6,819,609	7.0	11.44	0.1
1973–74	67,277,649	7.1	6,647,769	−2.5	11.15	−2.5
1974–75	74,298,823	10.4	7,383,411	11.0	11.24	0.8
1975–76	82,691,658	11.3	8,304,125	12.5	11.33	0.8
1976–77	93,716,623	13.3	9,376,391	12.9	11.20	−1.2
1977–78	106,694,452	13.8	10,276,725	9.7	10.68	−4.6
1978–79[c]	116,736,826	9.4	5,635,715	−45.2	5.37	−49.7
1979–80	132,820,831	13.8	5,661,081	0.4	4.69	−1.5
1980–81	144,739,438	17.9[d]	6,360,276	12.4	4.63	−1.3
1981–82	657,927,501[e]	13.6[e]	7,185,005	13.0	1.144	−1.2
1982–83	737,111,920	12.0	8,007,037	11.4	1.131	−1.1
1983–84	797,370,474	8.2	8,634,771	7.8	1.126	−.4
1984–85	878,738,713	10.2	9,437,483	9.3	1.113	−1.2
1985–86	968,620,180	10.2	n.a.	n.a.	n.a.	n.a.

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[a] Excludes reimbursements to local government for homeowners' exemption and business inventory exemption.

[b] Includes the homeowners' exemption ($750 of assessed value from 1969–70 to 1972–73; $1,750 from 1973–74 to 1980–81; and $7,000 beginning in 1981–82). For 1985–86, the homeowners' exemption accounted for $30,208,543 of assessed value. The business inventory exemption (15% of assessed value in 1969–70; 30% during 1970–71 to 1972–73; 45% in 1973–74; and 50% from 1974–75 to 1979–80) was also included until 1980–81. Beginning in 1980-1981, business inventories became totally exempt and were no longer enrolled.

[c] The revised amount of taxes includes unsecured levies based on the 1977–78 tax rate on secured property. Some counties did not levy at these rates until a 1980 California Supreme Court decision clarified the proper 1978–79 tax rate applicable to unsecured property.

[d] Business inventories became totally exempt effective on the 1980–81 property tax rolls. The 1980–81 percent change from the preceding year was computed by excluding from the 1979–80 assessed value both the taxable and exempt value of business inventories.

[e] The ratio of assessed value to taxable value was changed to 100 percent (from 25 percent) beginning with the lien date for 1981–82. The percent change was computed "after factoring the 1980–81 valuations to 100 percent of value."

Source: California State Board of Equalization.

TABLE 38

ALLOCATIONS [a] OF GENERAL PROPERTY TAX LEVIES AS COMPILED FOR COMPUTATION OF THE AVERAGE TAX RATE, BY COUNTY, 1984–85

(Tax allocations in thousands)

County	City	County [b]	School [b]	Other [c] District	Total [c]	Average Tax Rate Per $100 of Assessed Value [d]	
						1984–85	1983–84
Alameda	$94,998	$118,600	$109,975	$92,258	$415,831	1.247%	1.260%
Alpine	—	939	260	98	1,297	1.030	1.066
Amador	381	4,253	4,841	231	9,706	1.046	1.028
Butte	3,718	10,453	26,822	5,490	46,483	1.061	1.066
Calaveras	78	3,454	7,019	1,874	12,425	1.100	1.107
Colusa	444	4,357	6,060	1,019	11,880	1.044	1.049
Contra Costa	36,401	78,749	107,952	98,624	321,726	1.138	1.151
Del Norte	92	1,432	2,449	630	4,603	1.035	1.029
El Dorado	3,061	13,963	18,834	9,970	45,828	1.101	1.116
Fresno	24,857	59,148	78,795	23,579	186,379	1.094	1.114
Glenn	649	3,490	5,867	645	10,651	1.062	1.064
Humboldt	2,630	10,730	14,530	4,551	32,441	1.132	1.151
Imperial	3,296	8,000	12,025	1,663	24,984	1.082	1.083
Inyo	217	3,638	5,268	848	9,971	1.037	1.050
Kern	13,791	119,755	126,376	33,336	293,258	1.049	1.058
Kings	1,721	11,077	9,070	2,274	24,142	1.054	1.085
Lake	661	9,221	11,140	4,345	25,367	1.023	1.017
Lassen	311	2,000	4,124	498	6,933	1.058	1.103
Los Angeles	498,965	1,087,717	565,650	443,196	2,595,528	1.103	1.123
Madera	1,201	7,410	16,938	2,421	27,970	1.070	1.077
Marin	13,085	29,495	44,603	18,756	105,939	1.069	1.080
Mariposa	—	1,711	3,052	284	5,047	1.004	1.005
Mendocino	895	10,717	12,292	1,624	25,528	1.098	1.116
Merced	3,560	16,594	18,376	4,534	43,064	1.054	1.058
Modoc	158	1,769	2,514	300	4,741	1.038	1.024
Mono	—	5,029	4,006	3,379	12,414	1.064	1.075
Monterey	10,340	28,158	51,970	13,817	104,285	1.042	1.044
Napa	4,390	11,283	20,735	3,318	39,726	1.100	1.123
Nevada	847	7,518	13,766	5,862	27,993	1.073	1.085
Orange	111,936	169,466	485,179	191,682	958,263	1.153	1.158
Placer	3,158	17,832	28,984	10,376	60,350	1.073	1.100
Plumas	122	3,259	6,807	1,555	11,743	1.011	1.012
Riverside	23,456	77,864	114,936	77,217	293,473	1.153	1.140
Sacramento	27,310	86,055	74,020	53,505	240,890	1.108	1.113
San Benito	561	1,971	6,317	1,609	10,458	1.159	1.160
San Bernardino	30,148	85,694	108,351	91,570	315,763	1.167	1.199
San Diego	98,901	169,488	364,157	66,862	699,408	1.090	1.112
San Francisco	—	279,147	28,252	21,463	328,862	1.142	1.153
San Joaquin	14,852	43,758	38,484	15,563	112,657	1.060	1.071
San Luis Obispo	6,352	27,980	44,715	4,784	83,831	1.073	1.099
San Mateo	37,071	67,146	136,681	28,456	269,354	1.035	1.050
Santa Barbara	7,149	37,678	61,688	21,382	127,897	1.058	1.069

TABLE 38—Continued

ALLOCATIONS[a] OF GENERAL PROPERTY TAX LEVIES AS COMPILED FOR COMPUTATION OF THE AVERAGE TAX RATE, BY COUNTY, 1984–85

(Tax allocations in thousands)

County	City	County[b]	School[b]	Other[c] District	Total[c]	Average Tax Rate Per $100 of Assessed Value[d]	
						1984–85	1983–84
Santa Clara	72,708	156,552	298,921	89,036	617,217	1.171	1.175
Santa Cruz	5,054	19,075	37,525	8,678	70,332	1.061	1.066
Shasta	3,394	11,214	25,214	3,524	43,346	1.090	1.080
Sierra	38	1,167	463	204	1,872	1.012	1.015
Siskiyou	1,164	4,793	7,118	720	13,795	1.022	1.021
Solano	14,690	27,993	26,391	10,823	79,897	1.121	1.123
Sonoma	10,849	45,594	65,676	11,193	137,312	1.070	1.073
Stanislaus	6,945	20,402	49,404	4,299	81,050	1.045	1.055
Sutter	1,665	7,532	10,758	1,906	21,861	1.042	1.040
Tehama	865	4,958	7,224	522	13,569	1.065	1.078
Trinity	—	1,521	2,326	245	4,092	1.036	1.051
Tulare	4,740	26,966	27,463	5,028	64,197	1.037	1.047
Tuolumne	216	5,609	7,464	1,096	14,385	1.052	1.057
Ventura	18,113	64,103	90,314	58,451	230,981	1.128	1.139
Yolo	6,294	12,329	18,178	4,758	41,559	1.136	1.140
Yuba	690	4,824	5,923	1,492	12,929	1.114	1.123
Totals	$1,229,188	$3,156,630	$3,484,242	$1,567,423	$9,437,483	1.113%	1.126%

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[a] The county levies at a rate of $1.00 per $100 of assessed value have been allocated among the jurisdictions receiving a portion of those levies. Excluded is the following amount of state reimbursement to local governments: homeowners, $331,919,000.

[b] County levies for school purposes, such as junior college tuition and countywide school levies, are included with school levies.

[c] Includes debt levies on land and/or improvements only. Also includes the portion of the $1.00 levy allocated to jurisdictions previously taxing less than total property, i.e., land only or land and improvements only.

[d] Computed by dividing total levies by the assessed value and multiplying by 100.

Source: California State Board of Equalization.

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